

Current Economic Problems

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PREFACE

India attained her freedom on August 15, 1947. This brings to an end the political domination of the country by the British. But the common people cannot feel the sincere joy unless their standard of living improves. They are under-fed, under-clothed, ill-housed and without ample provision of medical aid and educational facilities. These are the problems that should engage the attention of our thoughtful people immediately. We have vast and varied resources. If they are properly exploited, India shall become a first-rate nation industrially, politically and economically.

The authors have discussed current economic problems with regard to Population, Agriculture, Industries Trade, Finance, Banking Labour, etc. This book should be found useful not only by the advanced students of commerce and Economics but will be equally helpful to the candidates appearing at Competitive Examinations of the Central and Provincial Public Service Commissions.

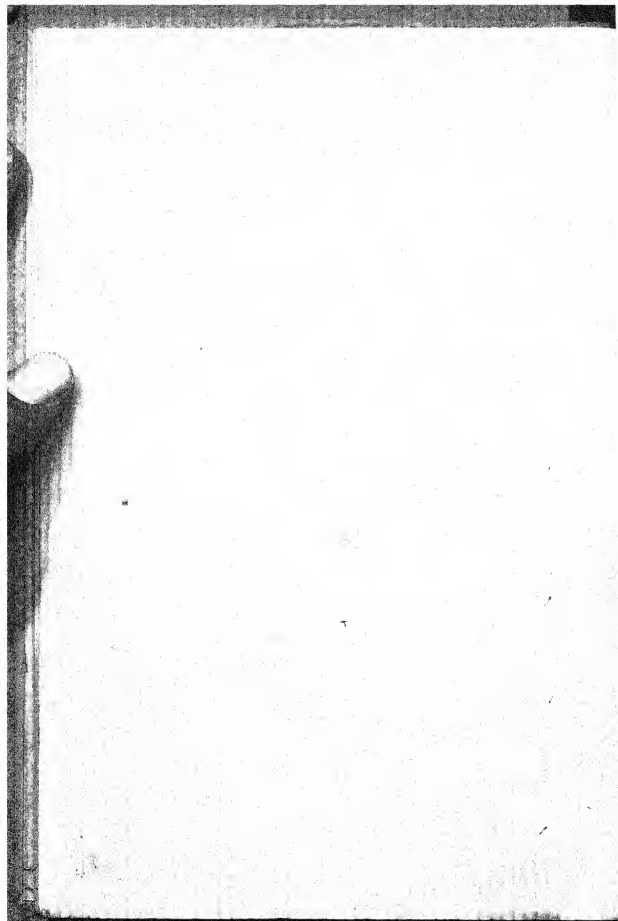
Many of these Chapters appeared in the form of articles in the columns of learned dailies, weeklies, monthlies and quarterlies, viz, Indian Finance, Commerce, Free Press Journal, Hindustan Standard, The Indian Textile Journal, The Leader, Indian Journal of Economics and the Indian Journal of Commerce. We are grateful to them for their permission to include them in the book form. * C,

K. L. GOVIL.

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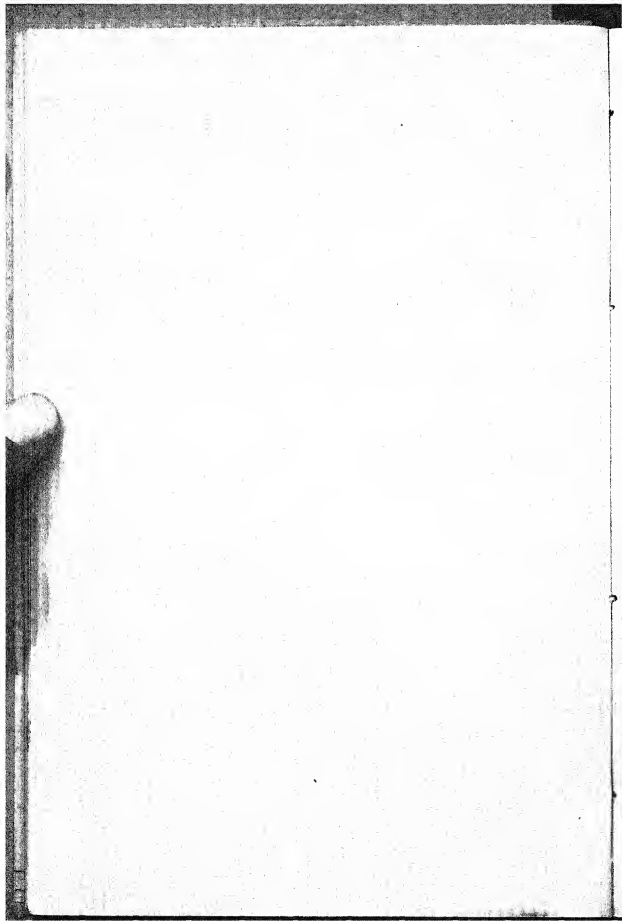
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Constitution

Our Economic Problem



OUR ECONOMIC PROBLEM.

AFTER 150 years of bondage India is again a free nation. The British yoke is removed and with it must go the British vested interests. But it is not an easy matter. In the field of shipping, marine, insurance and foreign banking they are well entrenched. Our industrial development in the immediate future depends, to a large extent, on their goodwill and cooperation. They are leaving the country famished and ruined.

On every side and from every corner we hear of planning—planning of education, planning of industries, planning of agriculture, planning of transport, etc. People talk of industrial reconstruction. But they forget that reconstruction implies destruction of the already existing organism. The French and Belgian industries were reconstructed after the first World War at the cost of Germany. The afflicted European countries may talk of reconstruction now. But for this land where there has been little construction, and fortunately no destruction of plant and machinery by enemy action or otherwise, the word does not carry the real purport of the authors. What is needed for India is a proper planning of her resources—human and material—to improve the economic welfare of her people. Planning is only a means: the end is the economic well-being of the people. We must see that both our means and end are worthy and noble. For this we have properly to harness our resources. That this has not been done so far is clear from the miserably low standard of the people and from the fact that lakhs of our countrymen are dying of starvation and crores are ill-fed and ill-clothed,

inspite of the fact that India is an agricultural country and about three-fourths of her vast population are engaged in agriculture alone. Is it not a matter of shame and sorrow that we cannot eke out a decent living for ourselves with all our vast and vried resources? While other nations are aiming at very ambitious standards of living as represented by the 'Beveridge Plan' or President Roosevelt's Four Freedoms', should we not take stock of our position and make an earnest attempt to set our house in order? It is not much use talking of post-war planning. We have already lost a good opportunity. In the last six years we could have built up some of the basic industries if our benign Government so wished. The Dominions of Canada and Australia, withh on better resources, have stolen a march over us. They have laid the true foundations of modern industrialism.

The average man desires to have freedom of speech, freedom of press, freedom of religion and above all freedom from fear and want. To him the change of Government will be of little consequence if his standard of living does not improve and if he lives in constant fear of a party Government. He needs full and wholesome meal, sufficient clothing, a comfortable home to live in, education of his children and free and adequate provision of medical aid. Unless these problems are tackled in a right spirit the Swaraj will be only a mirage. The country has been experiencing an acute shortage of food and cloth for several years, find inspite of a 'grow more food' campaign, we do not and any increase in our food production. The production of cloth, as reported by the Millowners' Association, has declined from 4,800 million yards in 1943-44

OUR ECONOMIC PROBLEM

to 3,800 million yards in 1946-47. What is all this and where will it lead to? Who can feed this growing population unless we set our own economy in order? The country needs a vigorous economic programme for reconstruction and rehabilitation of her economic resources.

Although India is predominantly an agricultural country, we have established certain modern industries as well, e.g., cotton textiles, jute, iron and steel, sugar, paper and pulp, cement and match. But we are totally deficient in heavy industries, machines, shipbuilding, aeroplane manufactures, heavy chemicals. This is one of the greatest drawbacks in our economic system. Again we lack in technical skill and know-how. The railway mileage and shipping tonnage are too small considering the size and population of the country. On the other hand we are very rich in our natural resources. There is thus a great disparity between potential resources and actual industrial development of the country. The increasing population, fragmented and uneconomic holdings, low yield, lack of irrigation facilities and rural industries, and chronic indebtedness are some of the other vital problems that should receive the immediate attention of our statesmen if they are really earnest about their business. All this needs proper planning of our economic future.

The Government of India issued a statement on industrial policy in 1945. A number of plans have come out in quick succession. The Central Government and some of the provincial Governments too have issued their reports on reconstruction. Lastly, the Government set up the Advisory Planning Board which has made a number of useful recommendations

for improving the Planning machinery in the country. The frame work is thus ready but so far no blue-prints have been prepared for any industry except the reports of the Industrial Panels, appointed by the Central Government.

① The first thing that the Government should do is to check the rising trend of the price level. There is a mad race between prices and wages, and unless the Government adopts a firm policy regarding prices there will be no end of strikes which are menacing our social and economic system at present. The industrial production is declining when it should have increased. Political ideologies are also partly responsible. The worker may be helped in kind and the entrepreneur may sacrifice part of his profits for some time but the price level must not be allowed to move up at any cost. This must be the first concern of the Government.

② Secondly, whenever possible the Control must go. It has demoralized our services. The substitution of '*Baniya*' by '*Babu*' has not been a happy one. Both are in collusion to the disadvantage of the consumer. The psychology of trade has changed. They care for the '*Hakim*' and not for the customer. At times they are even rude. Every body is familiar with the officiousness, red-tapism and discourtesies of the Rationing Department. They are so annoying at times that one feels deeply injured. The Government must change the gear. The common man does not feel happy even on the attainment of Swaraj because he is economically depressed. So far he used to accuse the Britisher for his sins of omission and commission and hoped for a new dawn. Now that the twilight is visible there must be fulfilment of his

aspirations, viz., freedom from want and freedom from fear.

A word about India's foreign trade in the future. Before the War our principal exports were raw cotton, raw and manufactured jute, tea, oilseeds, hides and skins. During the War years India built up a heavy favourable balance of trade because, while our exports of raw materials and manufactured goods increased we were not allowed to import even the bare necessities like iron and steel, paper cloth, dyes, machinery, etc. In the last two years our imports have considerably increased and therefore the favourable balance has steeply come down. It was threatened this year that our foreign exchange would be frittered away on toys and toilets if the Government did not take action. Fortunately an Import Control Order was passed in May 1947, which checked the inflow of cheap American goods. In a planned economy we shall have to control our imports as well as exports. Again, our exports of raw cotton, hides and skins and oilseeds cannot be restored to the pre-war level in an expanding economy. We must, therefore, find out substitutes to pay for our imports. So far India was one economic unit. In the future India will import food, raw cotton and jute from Pakistan and shall supply textile goods, sugar, cement, coal, paper and other manufactured goods to her. All this needs adjustment and adaptation of our economy to the changed conditions. Our trade balances will be upset and new customs barriers will be set-up between Pakistan and India.

In conclusion, we may say that the greatest problem of our country at present is to step up production of all kinds. We must grow more food

and more raw materials. We must manufacture more cloth, steel, paper, cement, artificial fertilisers, machines and tools, and numerous other articles. By conciliation and otherwise the relations of Capital and Labour should improve and labour strikes should be minimized. Control should continue only where it is absolutely essential. It is demoralizing the administration as well as the party in power and the public.

The problems are difficult and varied but by no means insurmountable. They can be solved with imagination and a determined will. But if the conditions are allowed to deteriorate we are afraid, the situation may get out of control. Sir Deshmukh Chintamani, Governor of the Reserve Bank, has given a stern warning to the state in the following words "Unless correctives are applied without delay, there is a danger of the very foundations of society and the economic life of the country being undermined by deepening penury and despair." Every effort should, therefore, be made to push a well-planned economic programme for the country. Our future is full of hope and promise only if we acquit ourselves creditably.

In the following pages the authors have tried to discuss some of the current economic problems of the country.

India's Man Power



POPULATION OF INDIA AND ITS FUTURE TREND

KNOWLEDGE of existing population and its future trend are of vital importance to a country, especially in connection with planned schemes for future economic development. If adequate provisions are not made for the possible variations in the size of population in the near future, even the best schemes will fail to do any appreciable good to the people. Since India has become recently planning minded, it is necessary to analyse the future trend of our population.

Little is known about the size of population of this country before 1872—the year of first census in India. On the strength of Moreland's description of the conditions prevailing in India at the death of Akbar in 1605, it is estimated that the population of the country was near about 100 millions at the beginning of the 17th century. Although exact and reliable figures are not available, it cannot be doubted that the first three quarters of the 19th century witnessed a great increase in the size of population. The establishment of peace and order, one of the few gifts of British rule, seems to be the principal causes of it. Since 1872 India has been having a regular census every decade which is a great asset in the study of population problem of this country. The following table gives the growth of population in India from 1872 to 1941.

| <i>Year</i> | | <i>Population in Millions</i> | |
|-------------|-----|-------------------------------|-----|
| 1872 | ... | | 208 |
| 1881 | ... | | 256 |
| 1891 | ... | | 285 |

| | | | | |
|------|------|------|-----|-------------------|
| 1901 | .... | .... | 294 | |
| 1911 | .... | .... | 315 | |
| 1921 | ... | .... | 318 | |
| 1931 | .... | .... | 338 | } excluding Burma |
| 1941 | .... | .... | 389 | |

Nowhere do we find such variations in the rate of increase between one decade and another as have occurred in the population growth of India. Famine and epidemics have been the governing factors for the irregular growth of population. Their prevalence has checked the growth, while their absence has been responsible for a substantial increase. Part of the large increase between 1872 and 1881 was due to the inclusion of new territory in the census area. Between 1891 and 1901 the twin factors of plague and famine checked a rapid growth in numbers. Similarly the great influenza epidemic of 1918-19, which is said to have caused about 13 million deaths, checked the growth of population to a large extent. Since 1921 the growth of population has been very rapid. The increase in the period 1921-31 in the population of India was considered by many as startling. But the increase in 1931-41 was even greater, with an increase of 51 millions—a total greater than the existing population of France or that of England and Wales. Considering these figures one is tempted to remark that the people in India multiply at a much faster rate. It is, no doubt, true that India occupies a unique position as regards the size of her contribution to world population growth—one fifth of world population is found in India. But the rate of increase has not been remarkably rapid in comparison with that of certain other countries. Below is given the real rate of increase of population from one decade

to another, allowance being made for the inclusion of new areas and improvements in the method of enumeration.

| <i>Period</i> | | <i>Percentage of Real Increase</i> |
|---------------|------|------------------------------------|
| 1872-1881 | .... | 1.5 |
| 1881-1891 | .... | 9.6 |
| 1891-1901 | ... | 1.4 |
| 1901-1911 | .... | 6.4 |
| 1911-1921 | .... | 1.2 |
| 1921-1931 | .... | 10.6 |
| 1931-1941 | .... | 15.1 |

According to these figures population increased by nearly 30 p.c. in India between 1872 and 1931. During the same period population increased by 77 p.c. in England and Wales, 60 p.c. in Germany, 115 p.c. in Russia, 125 p.c. in America and by 113 p.c. in Japan. From this it is obvious that the much advertised increase of population in India has in fact been much lower than in many of the advanced countries of the World.

Reason The growth of population depends upon two factors viz., (a) excess of birth rate over death rate, and (b) excess of immigration over emigration, i. e., net migration. As far as India is concerned migration is not an important factor in determining the size of population. The real factor which is responsible for the growth of India's population is the birth and death rates of the country, i.e., survival rate. Let us therefore analyse briefly the birth and death rates in India. In the table below is given the birth and death rates for British India.



| <i>Period</i> | | <i>Birth Rate</i> <i>per 1000</i> | <i>Death Rate</i> <i>per 1000</i> |
|---------------|------|--------------------------------------|--------------------------------------|
| 1901-1910 | ... | 38 | 34 |
| 1911-1920 | .... | 37 | 34 |
| 1921-1930 | ... | 35 | 26 |
| 1931-1940 | .... | 34 | 23 |
| 1941 | .... | 32 | 22 |
| 1942 | .... | 29 | 21 |
| 1943 | .... | 26 | 23 |
| 1944 | .... | 26 | .... |
| 1945 | .... | Slight increase over 1944 level. | |

The above table shows that the birth rate upto 1940 was almost constant with a slight tendency to fall. But these official figures are said to be under-estimates. The real rates are much higher than these official estimates. According to Prof. Gyan Chand, about one third of the births remain unrecorded. He therefore puts the real birth rate at 48. Prof. A. V. Hill states that official figures are deficient to the extent of 7 p. c. As such the birth rate figures need to be raised to near about 37. Again according to the report of the Public Health Commissioner with the Government of India (1936) the number of births in the country, as a whole, may be underestimated by 20 to 25 p. c. because of omissions in registration. Although there is no agreement regarding the degree of deficiency in the official figures, it cannot be denied that the real birth rate is much higher than what is officially put down.

The recent fall in the birth rate from 34 in 1940 to 26 in 1943 is a very significant fact, but it is too early to assess its significance. It appears mainly to be the result of family separation resulting from the enlistment in the army and the growth of several War industries. The great increase in the employment of women as a result of heavy rush of War work and to some extent postponement of marriages due to manifold hindrances like transport difficulties, scarcity of food, high price level, etc., may have also exerted some influence in this direction. If it is so, the birth rate may rise with a vengeance when normal conditions revive. The present decrease in the birth rate appears to be only a temporary phenomenon; it may not persist throughout the whole decade. But War is a great teacher though a very expensive one. The new middle class which is purely a War product, is moving fast in adopting Western ways of life. Who knows they may begin demanding 'Baby Austin' instead of a baby?

As far as our death rate is concerned it has been slowly, though steadily, decreasing. From 1901 to 1914 it averaged 33 per 1000; from 1922 to 1930 26 per 1000; from 1931 to 1941, about 23 per 1000. Among the most important causes for this decrease in the death rate may be mentioned the steady decline in infant mortality which fell from 195 in 1920 to 160 in 1940 and the decrease in mortality from Cholera and Plague. But comparatively our death rate is still very high. It is officially estimated at 22 per thousand. But unfortunately our vital statistics are notoriously defective. The recorded death rates are far below the actual death rates.

Although it is difficult to say what the actual rate is, there is no denying the fact that the actual rate is much higher than what is recorded. According to Prof. Gyan Chand it is near about 33 per thousand. This means that our death rate is nearly three times as much as that of Germany, the United States and the United Kingdom. For comparison the death rate in some of the important countries is given below.

Annual Death Rate per 1000 of Population

| | | | |
|----------|------|------|------|
| Germany | ... | ... | 12.3 |
| France | ... | ... | 15.3 |
| U.K. | ... | ... | 12.2 |
| U. S. A. | .... | .... | 10.6 |
| Japan | ... | ... | 17.6 |

The crude death rate is, however, a very poor index of mortality. What is in fact important is the chance of dying at any given age. Translated in this way we find that "in any age-group up to 55 years the mortality in India is 4 to 8 times that in Great Britain; upto that age, therefore, the chances of dying in the next year for an average person in India is 4 to 8 times as great as for some one of his own age in Great Britain." This is indeed a terrible loss of human life. In fact, India is a death-ridden country.

Now by putting the birth and death rates together (not of the years of 1942 and 1943 which do not seem to have much stability in them) and making due allowances for omissions and underestimates, we can say with reasonable certainty that the rate of increase (survival rate) is nearly 15 per thousand.

The question now is: what is likely to be the future trend? Is the rate of increase likely to go down or to remain stationary? Or is the trend towards a still further increase? Such an information will be of great use in the realm of planning. It is correct that the population forecaster is not a prophet in the sense that he foretells what infallibly would come about. But it needs to be emphasized that it is more possible to make reasonably accurate forecasts about the future in matters of population than it is in most human affairs. This is because of the reason that all those persons who will be 20 years old in 20 years' time are alive now. As such it is possible to set an upper limit to the adult population of any country 20 years hence with considerable confidence. On the strength of this known factor a good deal more about that future population can be guessed with some assurance. The main factors with the help of which the future growth of population can be forecasted are the survival rate, age and sex composition, and the net reproduction rate. As far as the survival rate is concerned it amounts to asking whether the birth and death rates are likely to vary in near future, and if so, in which direction.

Let us first examine the trend of our birth rate. The important factors which are responsible for our high birth rate are poverty, practice of universal marriage, lower status of woman, absence of the use of modern birth control measures. Is there any possibility of some change in these factors in the immediate future? And if so, what possible effects will these variations have on the future growth of population?

India at present is seized with the fever of planning. A number of plans have been prepared both from official and non-official quarters. The sole objective of these plans is to raise the standard of life of the masses. With the setting up of the Interim National Government at the Centre, the chances for giving practical shape to paper plans have become much brighter. Now it is argued that a rise in this standard of living, which will be brought about as a result of planning, will lower the birth rate. It is true that in other countries with 100% literacy, with women widely employed in trades, and professions, with a high degree of sophistication and extensive use of birth control measures, a higher standard of life has led to smaller families. But it is wrong to think that the immediate effect of a rising standard of life in our country,—a country in the cruel grips of appalling poverty and ignorance—will be the same as at the other end of the scale. The first effects of rising standard may very well be just the other way round. It is only when newer conditions of life stabilise themselves—such as education, knowledge of birth control, industrial employment of women, greater interests outside family, etc., will the effect of rising standard be to diminish the birth rate. For illustration, take the case of the Punjab which is one of the most prosperous regions of the country. There the birth rate is 20 p. c. higher than in the country as a whole. Hence as far as this factor is concerned, it is not likely to affect our birth rate in the few years to come.

In this connection another point is worth noticing. Reproduction is a physiological process and like all physiological processes is influenced by the

general health of the body. It has been shown by research that certain types of dietary deficiency (e.g., deficiency of vitamin E) adversely affects the functioning of reproductive organs in both males and females. The decrease in birth rate during famines lends support to this. It, therefore, follows that an improvement in health and nutrition will increase, other things remaining the same, the capacity to conceive and bear more living children. At present special attention is being paid for improving the nutrition of children and women in the child-bearing period. The Bombay scheme of distributing milk at half price to expectant and nursing mothers and young children is an example. The adoption of such schemes on an extensive scale, the necessity and utility of which cannot be doubted, will, *ceteris paribus*, lead to an increase in the rate of population growth.

Again, we are told that industrialisation will lead to a smaller birth rate. The growth of industry affects population growth mainly through urbanisation. It has been generally noticed that the level of fertility in urban areas is lower than in rural areas. The reasons for it are too varied and complex to be examined in a brief article like this. In general "conditions of family, the employment of married women, housing, the relatively high percentage in cities of middle class families with strong economic motives towards family limitation, the availability of contraceptives, all these and others play a part in diminishing the birth rate in cities." The mass employment of labour in factories is inimical to family life. On account of several reasons a large number of males come to factory areas unaccompanied by their families. Naturally reproduction is affected either by postpone-

ment of marriages or by preventing the cohabitation of those who are already married. It must be admitted that industrialisation has such an effect. But the question is: how long does it take for industrialisation to produce this effect on population? If we examine the case of England, a typical example of industrialisation, we find that throughout the 19th century the rate of increase of population, in spite of heavy emigration, was never less than 12 p.c., per 10 years; the average was 14 p.c. It was only after a century of industrialisation that the rate of increase dropped down to the present low level. Considering the case of India we find that the country is still mainly a land of agriculture. Industrialisation has so far made little headway in the country. This is admittedly the greatest danger spot in our economic system. It has resulted in unbalanced economy which is the mainspring of most of our economic and social evils. As such, the need for rapid industrialisation in our country is very great. 'Industrialise or Perish' has become the slogan of the day. But what about the chances of industrialisation? The record so far has been very discouraging. It is no doubt true that the present situation is somewhat different from that of the past. The country has become planning minded, plans for rapid industrial development have also been prepared and then finally changes of great significance are taking place in the form and character of the Government. But we should not escape from the fact that the present world situation is far from promising. The obstacles in the way of industrialisation should not be under-rated. Then there is a very important school of thought which earnestly believes in village industrialism; it warns the country against the importing

of industrialism of the Western pattern. Anyway, it will not be incorrect to remark that for some years to come whatever happens to the industrial population will make a relatively small contribution to what happens to the population as a whole.

Then what about education? Surely it will enable people to have a more reasonable outlook on reproduction. In this connection the education of women is of particular importance. But the question is how much time will we take in securing cent per cent literacy in the country? So far our achievements in this field have been very disappointing. At present hardly 12 p.c. of the people are literate—19 p.c. of the males and 5 p.c. of the females. In 1881 the total number of literates was 46 per 1000 in the whole of India. In 1921 the proportion rose to 71 per 1000. In 1931 it was 80 per 1000 which has risen to 121 in 1941. Concerning literacy the Census Report of 1941 states that the general tale is pronounced increase amounting in the case of India as a whole to 70 per cent over 1931 for the whole population. Of this the male increase is 60 and the female 150." But there can be no doubt that our progress is terribly slow and such a rate of progress would take several decades to have a fully literate population. Russia of course was able to liquidate illiteracy in a very short time, but that was possible only because of her unique planning. It is very doubtful if India can adopt such a course in the immediate future. The plan of Post-War Educational Development in India prepared by the Central Advisory Board of Education, which has been given considerable publicity, requires 40 years for its final completion. From this it is evident that if no funda-

mental changes occur in the meantime, it is too much to expect 100 p. c. literacy, particularly of women, within the next one or two decades. Hence educational brakes are not likely to be very stiff for the 'torrents of babies' in the immediate future.

The use of Modern contraceptives has brought about a great decrease in birth rates in many Western countries. But as a means of limiting the size of the family birth control has not yet become popular in our country. There are several economic, social and religious forces which work against it. The two main obstacles in the way of widespread adoption of birth control measures are the appalling poverty and colossal ignorance of the people. Unless great changes are brought about in the lives of the people, it is idle to expect that they will take to the use of birth control. But it will take some time to change the entire outlook of the people. Hence the chances of our birth rate being appreciably affected by the use of contraceptives too are very remote.

To sum up, birth rate is not likely to go down within the next decade or so; it may even go up.

Now let us consider the death rate and its future trend. At present the death rate is very high. The scope for reducing mortality through the development of public health services in India is, therefore, very great. It is easy to reduce the death rate from 22 per thousand to 14 or 12, and not so from 12 to 6 or 8. A number of schemes are being drawn up to extend and improve the health and medical services in the country which, when put into force, will produce immediate results. The modern science of medicine has achieved remarkable results in foreign countries. It has numerous potent weapons for the prevention

of diseases and the saving of human life. At present due to heavy mortality only half of the girl babies born reach the child-bearing age and of those who reach that age only half survive to the end of child-bearing period. Improvements in public health, maternity and child welfare will certainly result in the survival of a greater number of girls and women. And as there is an excess of males over females to the extent of about 13 millions, the birth rate is likely to increase for many years to come. If the maternal mortality is reduced from its present high figure of 20 per thousand to half, which is not at all difficult, considering the case of other countries (in England and Wales it is 2, 9), about 6 million would be added to the population in a decade. The decrease in the infant mortality will also have similar results. As a result of recent decrease in the infant mortality rate, about 3 million children were added to the population during 1931-41. The fall in infant mortality rate from 195 to 160 is expected to result in a substantial addition of 6.5 and 11 million souls in 1951 and 1961 respectively, even if the death rate remains constant. And there is every possibility, for the infant mortality rate to decrease still further in future.

Besides this, the gradual reduction of child marriage, for which aim social reformers are doing their best, will produce healthier women and thereby increase the number of children they bear. Child marriage, an extremely undesirable practice, is acting like a preventive check. Due to early cohabitation irreparable injury is caused to the girl leading to untimely death. In this way thousands of girl-wives march from the nuptial bed to funeral pile. They

are, therefore, untimely withdrawn from reproduction circle. Further, child marriage also leads to widow problem. The number of widows in the country is very large. It is more than 9 million between the ages of 15 and 40. The social ban on widow remarriage in the country compulsorily sterilises them for reproduction purposes. This is a great check on the growth of population. From this it should not be concluded that child marriage is to be encouraged because it is expected to arrest the rising tendency of the birth rate.

Again, it is some times argued that a falling death rate is accompanied by a falling birth rate. This amounts to saying that as death rate is expected to fall in future so will birth rate as a natural consequence. It is incorrect to say so. We may divide population into three parts (a) those below 15, (b) those between 15 and 40, and (c) those above 40. The first effect of improvement of health and nutrition will be to increase (a) and then (b). It is only afterwards that the turn of (c) will come. If (a) and (b) increase as a result of decline in mortality rate, then birth rate will witness a significant rise. It is only when those above 40 become a more significant part of the whole population that the birth rate would begin to fall; but not before this.

From what has been said about the development of public health would appear likely to accelerate population growth by its effect on infant and maternal mortality. Granting that the country is overpopulated, it would appear that a vigorous public health policy will be more harmful than good since it may lead to swelling of numbers. Such a view is, however, incorrect. To improve the health of the

people is an essential part of the effort to raise the standard of living. And a rise in the standard of living is the most important factor in decreasing population growth. Moreover the development of public health services may, in the long run, have a tendency to stabilise population. In the face of high death rate, particularly of infants, parents are more eager to have a large family since it serves as an insurance against possible losses. Prof. Fisher remarks that "parents who have suffered losses and disappointment are more desirous of replacement than parents who have not been affected in this way, and I am quite sure that a large part of the fall in the birth rate in Europe and in America is the psychological consequence of the fall in the infantile death rate."

Now as far as the survival rate is concerned we may sum up the position. The chances for reduction in the birth rate are remote. The recent fall in birth rate during 1941, 1942 and 1943 is very significant and needs very careful observation. If it persists, it will considerably alter the curve of future growth of population. It is at present very difficult to say with certainty whether this decreasing birth rate is due to a real decline in fertility rates, or due to a changed age and sex composition of the population or is merely a transient phase. But it appears mainly to be the result of passing events. This is borne out by the figures of 1944 and 1945. By the year 1944 the decreasing tendency of birth rate had been arrested. It remained at 26—the 1943 level. During 1945 the birth rate increased over the rate in 1944. This shows that the temporary tendency has been overpowered by comparatively stable forces. It is very

likely that the birth rate will soon reach the level of the last intersensal years. On the other hand the decrease in death rate is likely to continue as a result of development of medicine, public health and nutrition. This means that the gap between the birth rate and the death rate is to become still more wide. As such an increase in the rate of growth of the population is to be anticipated in near future provided no calamitous events, man-made or natural, intervene. The present rate of increase is 15 per thousand. As shown above the population will continue to grow at the present rate, or at an enhanced rate, for some decades to come. On this proviso Prof. Fisher anticipates that the population of India would reach 500 millions in 20 or 25 years' time. According to Prof. Hill, who tries to be more precise in calculation, the population will be near about 650 millions by 1970. He thinks that the rate of increase will rise from 15 to $21\frac{1}{2}$ per thousand within 26 years. These are staggering figures. But this is what arithmetical calculations based on survival rates tell us.

Now the question is whether survival rate is a good and reliable index of population growth? Of late, the treatment of population growth has been revolutionised by the introduction of the net reproduction rate. It is now being increasingly realised, that the excess of the birth-rate over the death-rate is a very misleading measure of the fundamental trend of a population. The most satisfactory measure of the trend of the population is to be found in the net reproduction rate. The rate at which female population is replacing itself is the net reproduction rate. In estimating the future trend "the pertinent

question is not : is there an excess of births over deaths ? but rather are natality and mortality such that 100 newly born girls will in the course of their lives give birth to 1000 girls ?" By estimating the number of females born by the original stock of 1000 females as they grow up and pass through the child-bearing age, we can tell whether, at the present fertility and mortality rates, there is a fundamental tendency for the population to increase, decrease or to reproduce itself. For instance, if 1000 female babies leave behind them less than 1000 female babies the population decreases and is bound to die out in case natality and mortality continue the same; if the total left behind is larger, the population increases and if the total is the same as the original stock, the population holds its own. "The main point to grasp," remarks Dr. Enid Charles, "is that by itself the number of births in a year is not an index of the reproductive capacity of a population, because human beings are capable of becoming parents during only a part of their lives. The birth rate is not a function of the reproductive capacity alone. Neither does the death rate depend upon liability to death alone. Each is a resultant of the forces of fertility and mortality, and the task of disentangling their relationship to them is one which calls for considerable statistical ingenuity. Mere arithmetical calculation of the balance of births and deaths will not give this information. This is the reason why it cannot be a dependable guide to forecast the trend of the growth of population. The net reproduction rate combines in itself all such informations, viz., the frequency of births at different ages in the child-bearing period of life and the chances of survival to each age. In brief, net reproduction rate shows the average num-

ber of future mothers born to a mother of today.

In case of India it is difficult to ascertain the net reproduction rate due to the want of requisite data. Statistical information bearing on the number of girl babies born to women in different age groups is not available. We can, of course get some idea by considering the number of female survivors and the fertility rate. It has been remarked earlier that throughout the whole reproductive period female survivors in India are considerably fewer than in the Western countries, broadly half as few. At present only half the girl babies born reach child-bearing age,—a quarter of them die in their very first year. Of those who reach it hardly half survive to the end of the child-bearing period. And then we have to take into account a very large number of widows, about 16 per 1000, who do not participate in parenthood due to social ban on widow remarriage. With such a low number of female survivors, the fertility rates should be more than twice those of the Western countries if we are to have the same net reproduction rate. But in India the average number of children born to a woman is not large. The census of 1931 gives the results of a special enquiry into 9,00 000 families scattered among all classes and in different parts of India. The enquiry showed that an average married woman has 4 children born alive and that 2.9 in every four survive. This is mainly due to the fact that many women die before they reach the end of the reproductive period. Even if this fertility rate is regarded to be double that of the Western countries, our net reproduction rate would be nearly equal to their rate since the percentage of female survivors in our country is very low. The net reproduction

rate in the Western countries is not high. In fact it is less than 1 in many countries. From this it follows that our net reproduction rate is also low; at least it cannot be much higher than that of the Western countries. In this connection we must refer to the progressive shortage of women at each census in India. Might it not be an indication that females are not replenishing their numbers and that potential future mothers are getting less? The progressive decline in the proportion of females to males from decade to decade is shown below:—

Number of females to every 1000 males

| <i>Year</i> | | <i>Number of females</i> |
|-------------|------|--------------------------|
| 1911 | .... | 954 |
| 1921 | .... | 946 |
| 1931 | ... | 940 |
| 1941 | ... | 935 |

Age composition of the population also helps us in estimating the trend of population growth. In this field the work done by Prof. Sundbarg is very important. He classifies population into three age groups, viz., 0 - 15, 15-50, and 50 and over. The idea underlying these divisions is to compare the children, the adults and the old men in any given population. According to Sundbarg a normal population has about one half of its total between the ages 15 and 50 and the proportion of those above that age group to those below it indicates whether the population is increasing, stationary or decreasing. The youngest of the three groups must be double the eldest if the population is to continue to grow. Just short of that point it may be stationary. To be more precise in a progressive population the figures for the youngest and

and oldest groups are 40 and 10 respectively; in a stationary population the figures are 33 and 10.?

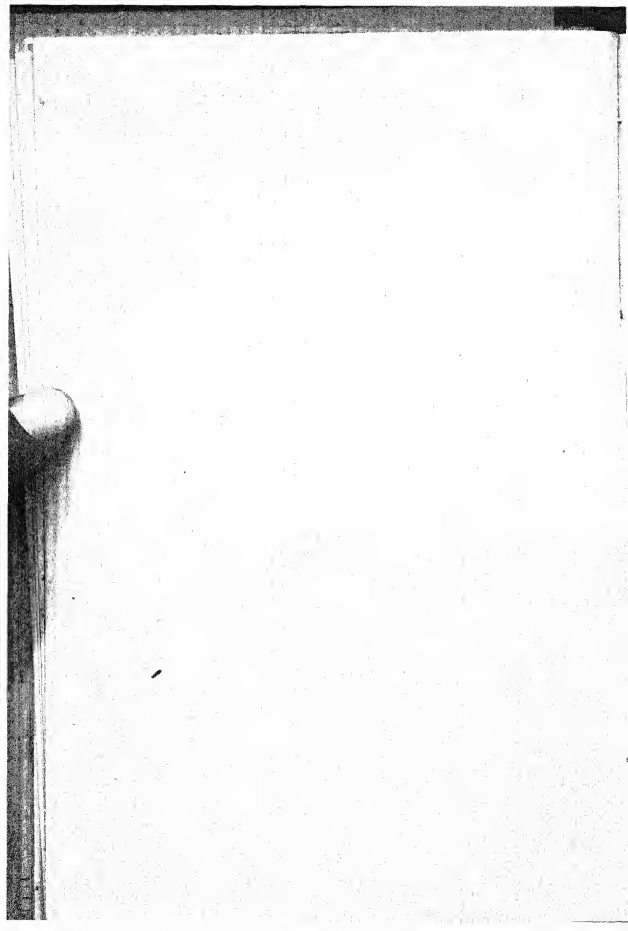
Sundborg's categories need readjustment before they can be satisfactorily applied to Indian conditions. It is felt that in case of India the second age group should be between 15-40 instead of 15-50 partly because old age comes on quicker in India and partly because they correspond more closely to the reproductive period of life. Taking the distribution of population on this basis, we obtain the following age composition in percentages for 1931 and 1938.

| Age | | | 1931 | 1938 |
|-------------|-----|-----|------|------|
| 0-14 | ... | ... | 39.9 | 39.8 |
| 15-39 | ... | ... | 41.0 | 41.2 |
| 40 and over | | ... | 19.1 | 18.9 |

This shows that the youngest age group is slightly more than double of the oldest. These figures do not at all suggest that the population is of a progressive type having the proportions of 40, 50 and 10.

From what has been said above it is evident that our population has no inherent tendency to very rapid growth as the crude rates of birth and death want us to believe. We should concern ourselves more with reproductive capacity than with absolute increase. We must divert our attention to the net reproduction rate rather than put forward alarming and shocking figures of our population growth. Before we frame the population policy or administer reproaches to prolific parents for the devastating deluge of babies, it would be better if we collect statistical information concerning the real rate of reproduction. Only then inherent tendencies in our population can be clearly visualised. And it is only on such tendencies that the population policy should be based.

It is, however, not our purpose to show that there is no population problem before us, nor do we plead for inaction in this sphere. There is no denying the fact that population planning is an essential correlate of economic planning. But it must be based on adequate and organised data. If not, population planning will be nothing more than an expedition in *terra incognita*. At present our vital statistics are simply inadequate; they are unreliable also. And then writers on population are still laying undue emphasis on crude death and birth rates, on absolute increases, on survival rates, etc. We should attempt to collect conclusive data regarding the trend of our population growth before we adopt any definite population policy.



OUR POPULATION PROBLEM.

A nation's true wealth lies not in its lands and waters, not in its forests and mines, not in its flocks and herds, not in its dollars, but in its healthy and happy men, women and children — *G. C. Whipple.*

THE population problem of India is attracting considerable attention these days. This is really very encouraging particularly because, since recently, the country has become planning conscious and is now getting impatient to build up a proper standard of living for its people with the least delay. But unless it is accompanied by clear thinking and appropriate action it will not take us far. So what is essential, in the first instance, is to examine those aspects of India's population problem over which great confusion prevails today. Such a study will be of a great help specially in the formulation of a healthy population policy for the country. In this paper we propose to deal with the view, which is held in certain responsible quarters, that there can be no solution to India's poverty unless the growth of population is checked. Through a procreative moratorium, it is suggested, lies the way to national prosperity.

There has been continuous and rapid growth in India's population since 1921. During the decade 1921-31 the population increased by 34 millions—a figure approaching equality with that of the total population of France or Spain, and appreciably greater than that of such important European countries as Poland. This 'torrential increase' in our population shocked many. But more was yet to come. The increase between 1931-41 shattered all previous records.

During this period there was a net gain of more than 50 millions, in itself greater than the entire population of any European country, except Germany or Russia. This means that India's population is growing roughly at the rate of 5 millions a year. So today it must be more than 400 millions—the largest population of any country in the world that has a regular official census. Calculated at this rate India may reach the staggering figure of 700 millions by the time the 21st century opens. There are many others who, from the study of relevant facts, conclude that the rate of growth is likely to go up still higher in future. The Woodhead Famine Commission also lends its support to this view. It remarks that "the existing set of circumstances favour the continued growth of population perhaps at a faster rate than at the present time." Whether or not we allow ourselves to be impressed by these alarming estimates and forecasts, we cannot help asking: is the rapidly increasing population a source of strength or weakness? Is it straining our resources unduly? Does it stand in the way of our progress?

Views on this issue differ widely. Broadly speaking we can discern two schools of thought. The followers of one school are not at all alarmed at the rapid growth of the population; nay, they even approve of this growth and regard it as an asset for the country. They deny that the population factor is the main cause of the extreme poverty of the people. The sub-human level of existence in the country, they say, is not a proof of over-population; nor is it an index of the country's inability to support the existing size of population. It is simply the product of the present social and economic organization

which fails to utilise the natural resources of the country to supply the needs of the people. The country is sufficiently rich in natural resources. Her land is vast; her soil rich and climate equable. But to the peculiar socio-economic structure in the country, imposed by imperialism, there is at present a criminal waste of India's rich resources. Of the potential arable area only about 30% is utilised and the remaining 70% is wasted. The wastage in forest resources is nearly about 75%. In case of water resources the wastage is as high as 99 p. c. Is then there any wonder that the people are so poor? If the resources are not properly utilised, people are bound to suffer whatever be the size of the population. "Labour and resources are like the positive and negative of electricity which do not generate power until they contact. In India the contact is yet to be established and hence we are poor. The day 800 million hands apply themselves with a plan to the exploitation of our resources, the poverty will disappear." They, therefore, conclude that there is nothing wrong at the population end. The cry of over-population is a piece of British propaganda, raised by the apologists of British rule and imperialist economists, contrived to shift the blame for the growing poverty in India on Indians themselves. In brief their view is that the development of India's resources has been impeded by British rule and once that is removed population will take care of itself.

The followers of the other school hold just the opposite view. In their opinion the country is definitely over-populated. Most of the recognised symptoms of over-population are said to be obtainable in the country in unmistakable forms. In-creas-

ing poverty of the people, exceptionally high death rate, acute food shortage, continuous fragmentation of holdings, steady increase in the number of landless labourers, all these and many others, they say, point out to the state and tendency of over-population in the country. The rapidly increasing population has upset India's rural economy. It has created surplus hands on the land. Unless this surplus is taken off, agriculture, which is the main occupation of the people, cannot develop. Industries, which could take people off the land, cannot be developed owing to the extreme poverty of the masses. We are thus caught in a really vicious circle. Our agriculture and industries, instead of being complementary and mutually helpful, have become reciprocally inhibitive. It is held by the supporters of this view that in the creation and feeding of this economic deadlock the rapidly growing population is greatly responsible.

Some go a step still further. They argue that the most fundamental problem facing the country today is the problem of over-population. Without its solution, they add, it is idle to talk of improvement in any sphere. According to this view no change of political status or economic and social structure will save our people from famines, epidemics and chronic poverty, unless the growth of population is arrested. Sir Jeremy Raisman, a typical representative of this school, said sometime ago that the regulation of the Indian population was of greater importance than planning to house, clothe and feed those already living. "How can these plans be put into operation" declares Raisman, "when the population of India is increasing at the rate approximately 10,000,000 annually? It is like trying to

build a house to accommodate 10 people, knowing full well that by the time it is finished the family will have grown to 12. Similar statements were made by Lord Amery during the great famine of 1943. He remarked that whatever good things are done by the Government, they are undone by the people by reckless multiplication. The increased production of food ultimately effects little improvement in the standard of living of the people since the population multiplies quickly. When millions of new mouths appear every year, they cannot be helped.

The conclusion that follows from the above is that India is suffering from the evils of over-population and that the increasing population is our enemy number one. Hence for sometime to come we should leave aside all talk of economic planning and concentrate on family limitation. Only then shall we be able to tackle successfully our poverty problem.

It is really unfortunate that such conflicting views are held in this vital sphere. Vague ideas, sentiments, political controversies have all contributed to this state of affairs—Confusion in such a matter is fraught with great dangers. Every attempt should, therefore, be made to get rid of it. The first thing that should be borne in mind is that large population does not necessarily mean over-population. The size of population alone cannot tell us anything. A country may be over-populated with a small number, while another may be under-populated even with a much bigger size of population. Secondly, the problem of population should not be treated merely as a question of food supply in the country. The food that England produces is hardly sufficient

for even $1/6$ of the people. But the conclusion does not follow from this, that England is over-populated. Thirdly, a population policy which has done considerable good to one country may not prove so in case of others. Hence while studying our population problem we should not be influenced merely by the size of numbers, nor should we consider only the food resources of the country. Even references to the size of population and the rate at which it is growing in other countries or the population policies adopted by them will not be of any substantial help. Instead we should take into account the whole set of resources and the economic and social frame-work in the country. Only then our analysis of the population problem will be complete which can serve a useful background for the population planning.

✓ As remarked earlier India's resources in minerals, water, forests, etc., are vast. But at present they are not being properly tapped. The existing methods of production are far from satisfactory; they are crude and inefficient, leading to criminal waste of valuable resources. The result is the appalling poverty in the country. Coupled with this the rapidly increasing population further complicates the already worsened situation. The load of poverty increases. This gives an additional fillip to the increasing population which, in its turn, increases poverty still further. In this way the vicious circle goes on, gaining further momentum as it continues its onward march. This must be broken, if we are to go ahead. The question then arises: from which end should we make the initial attack and concentrate more for the time being—from the side of

population or that of production? It is true that the offensive must be launched on all fronts simultaneously. But the point which is important in this case is the question of greater concentration, or the problem of priority. On which side is the offensive to be launched more vigorously?

Some are of the opinion that for the successful resolving of the economic deadlock in the country the initial attack must be made on the population front. According to them restriction of number must take place first and then can we hope for economic betterment. This view, as we shall see presently, is not sound. Indian poverty is a very complex problem. It has become a chronic disease and owes its existence to a large number of causes, economic and non-economic. To treat poverty as mainly due to the working of population factor shows a complete lack of the right perspective. The growth of population in India has been very slow till 1921. Between 1872 to 1921 the net increase was hardly 20 p.c. Only during the last two decades the increase has been great. But India's poverty does not date from 1921. It is a much older phenomenon. This means that increasing population cannot be regarded as the fundamental or originating cause of poverty. It is at best an accelerating force. By concentrating on this, leaving original causes intact, we shall fail to reach our objective. We cannot mitigate or abolish poverty in India by slowing the rate of the growth of population or even by replacing it by a declining population. Since India's poverty is a very deep-rooted disease, we shall have to go very deep and cut its root. Once the originating causes are controlled, the accelerating forces will

automatically die out. Beside this, a fall in the birth-rate tends to follow rather than precede economic betterment. A rise in the standard of living is the primary means of checking the rate of population growth. Experience in other countries supports this conclusion. Thus to say that restriction of numbers must come first and then economic betterment will follow amounts to putting the cart before the horse.

On practical grounds the above view is even more untenable. Let us accept for a moment that reduction in birth-rate should come first. What are then the available methods for limiting the size of the family? And further, what about their chances of success under the existing conditions in the country? There are two main methods of limiting the size of the family: self control and birth control. As far as self-control is concerned, it does not work in practice. It is highly unreliable. So there remains only birth control as a means of preventing the birth of unwanted children. In many of the Western countries, it has achieved great success. Due to its influence the birth rate has declined to a very low level. Led by this success, the birth control enthusiasts in this country want the same thing to be repeated here also. They plead for intensive and extensive propaganda throughout the country for the popularisation of birth control devices. This is all very good on paper. But is it a practical proposition? It is no use to be escapists, and continue repeating things parrot-like even when they are shown to be practical impossibilities. The odds against the general adoption of birth control in the country are at present • terribly heavy. The peculiar social, religious and moral background which is necessary for the use of

birth control is not to be found in our country. A well-planned and wisely executed propaganda can, of course, do something in changing the outlook of the people. But unfortunately things are not so favourable. There are more than 7 lakh villages in India (undivided) where 90 per cent. of the people live. To reach every village home and carry on intensive propaganda regarding the benefits and the uses of birth control is bound to be a very difficult task. Besides the huge cost of propaganda there will be the need of a large number of experts in this field. Quacks cannot be relied upon either for advice or for propaganda work. For any wrong advice or wrong prescription will do incalculable harm affecting the health of future generations. But this is not all. There comes the problem of grinding poverty and colossal ignorance. When most of the people fail to get even one square meal a day, to expect that they will purchase contraceptives is really funny. Even if the state decides to bear the great financial burden of distributing contraceptives free, it will be no solution. Unless the people learn the proper uses of contraceptives it will serve no useful purpose. For this a high level of education is indispensable, particularly female education. In India at present hardly 15 p. c. of men and 9 p. c. of women are literate. So the chances of success appear to be very remote.

One more point may be emphasized in this connection. The crucial bottleneck in economic planning in our country is scarcity of capital. The arresting of the growth of our population or even effecting some reduction in the total population would do little to increase the amount of internal capital available for investment. For the planned

development of our resources we would need crores of capital,—nay thousands of crores of capital. Such vast sums will not accrue to us automatically in the near future by any scheme of family restriction. The task of planners will not be appreciably lightened by slight reduction in the size of our population. And this is utmost that we can expect from any vigorous social action or "multiply less campaign."

It is thus quite obvious that in the solution of economic deadlock the main target of attack should not be population. The deadlock can be better resolved by launching an allround attack on the production sector. Our primary problem is that of under-development of resources, both agricultural and industrial. This is the root cause of our poverty; and it is from this point that we can reverse the process of vicious circle. It is here that we can lay down the true foundation of economic progress. By expanding production in every possible way, for which there is vast scope in the country, we can hope to raise the standard of living of the masses. This rise in the standard of living will bring about the much-needed change in the outlook of the people. It will make them alive to their duties and responsibilities. Then only the birth control schemes can become feasible. Prior to that it would be simply a waste of money and energy. We find for instance, that birth-control is becoming increasingly popular with the educated classes in our country. This is in no way the result of any well-planned propaganda. It is rather the product of the interplay of several social, economic and psychological forces. No amount of propaganda would have mattered much if social and economic forces strongly in favour were

not in existence. Thus what is important in this connection is not the availability of contraceptives or the dissemination of the knowledge about them, but the creation of favourable social and economic environment. Unfortunately for the bulk of our population such an environment does not exist. Hence our primary object should be the creation of that background. The facilities of contraceptive devices will only be the means through which the social forces will be able to operate efficiently. In the creation of this favourable social environment a big part will be played by education, uplift of women or, in general, by a rise in the standard of living. For this a great increase in the volume of production is indispensable.

Let us however not be misunderstood. We do not mean that there is no population problem facing the country. Nor do we plead for the policy of inaction in this sphere. It is now widely accepted that population-planning is an essential correlate of economic planning. Howsoever ambitious an economic plan a country might adopt, it will defeat its purpose unless it pursues simultaneously an energetic population policy. It is particularly true in case of our country where the population is increasing so rapidly. There is the great danger that in the very course and process of economic planning, the rate of population growth may jump to an unexpected height and thereby upset the calculations of the planning. Authority and swamp the economic plan put forth. Hence no one can doubt the necessity of pursuing an energetic population policy in the country. This is not the theme of this brief essay. What has been emphasized here is only that it does not appear to be

a correct analysis of our situation to suggest that unless the growth of population is checked no improvement in the economic life of the people can be effected. Through this end it will be difficult to break up the vicious circle which has crept in our economic system. The economic deadlock can be better resolved by expanding the volume of production. This will lift the people up from their existing deplorable level of existence. We can then expect rational behaviour from them. And it is only in the presence of this background that population planning can bear fruits. But if we try to place, 'birth control' in the hands of the masses without preparing the necessary background it will be of no avail. Nay it may even act as a purgative administered to an ailing person.

POPULATION PLANNING.

THE growing faith in economic planning has led to the realisation that a country's population has also to be planned and that population planning is an essential correlate of economic planning. The world has become conscious of the fact that 'laissez faire' principles cannot be relied upon to set right the problems of the reproductive power and distribution of world's population. In the absence of any planned action in the matter of population, a vicious circle gets created. Poorer countries find their problem of poverty almost insoluble because of increasing population pressure, whereas the richer countries find their economic future endangered by a declining population. Over-populated countries are becoming more and more overpopulated, while under-populated countries are progressively losing in manpower. It is no wonder then that the world has lost its faith in laissez-faire even in the sphere of population. There is now a growing appreciation of the importance of the population factor in determining the well-being of a nation and the recognition of the need for giving it its due place in framing the national policies for the future. In almost every advanced country deliberate steps are being taken towards population planning with a view to bringing population and economic potentialities into close and healthy relationship. Britain for instance, has appointed a Royal Commission to recommend a proper national population policy. Russia has already passed sweeping decrees giving great economic inducements to parents to rear larger families.

The urgency of population planning in India cannot be minimised. Whatever may be the plan

that the country finally decides to put into operation, the population policy will have to be rationally integrated in that plan or else even the best plan will fail to do any appreciable good to the people. India's population affects practically every aspect of national life and has a profound significance for the future of the country. The present size of the population and the rate at which it is growing are, therefore, vital factors which must be given due consideration while preparing any scheme of economic and social reconstruction. For stable progress, we have to lay down a suitable population policy, keeping in view the whole set of facts and the objectives to be attained. It may, however, be noted here that unlike economic planning, population planning offers an altogether new field for organised social activity. Here one has to face many imponderable and elusive factors. Besides social action in this field has its serious limitations in its bearing on the intimate private life of the people. Regulation of population is not really a matter for legislative or executive action, but mostly a matter depending upon the choices of individual parents. The utmost scope for social action in this sphere is to "collect data, analyse and interpret them, prepare the social and economic conditions favourable for any particular population policy and hope for the best."

An analysis of the history of population problem in India in its different phases clearly shows that there are more people in the country than the soil with its present productive capacity can support. From almost every view-point India, to-day, is definitely overpopulated. But what is of greater importance is that India is getting progressively more and

more over-populated. The mounting population pressure has really become a source of great danger. It is seriously threatening the future economic progress of the country. Consequently for some time to come, our population policy should be the creation of conditions leading to limitation of the size of family. This is necessary for the remaking of the nation.

Some, however, object to such a policy. They argue that the fundamental cause of our appalling poverty lies in the non-utilisation of our resources and not in the increasing population. They draw our attention to the vast potential resources of the country and on that strength, emphatically assert that with the proper exploitation of our immense resources, India will be able to ensure a decent standard of living for a much larger number than the present 400 million. Therefore to suggest restriction of numbers, as a national objective, is not sound. They consider it as an apology for British rule in India. There are still others who are indifferent. To them population problem does not appear to be a fundamental problem, demanding our immediate attention. They vaguely think that once the country is politically free, the population problem will solve itself and so we should concentrate our energy on the all-important task of gaining political independence.

Let us examine this before we proceed further. It is true that India's resources are vast, though not so rich as some would like us to believe. It is also a fact that much of the Indian poverty is the result of arrested economic development. Much of our resources are undeveloped. We can tap them to

good effect, if we have the power and will to do so. But it will not be wise to close our eyes to the fact that ours is an insolvent economy. Our people are living in a state of chronic want without the physical and economic reserves to satisfy the minimum needs of life. The existing gap between our means and needs is so vast that a phenomenal increase in production is needed to bring about a balanced national economy. If we go on increasing our population at the present rate of 5 million a year, it will be highly difficult to bridge the gap between our means and needs. Our potential resources are, no doubt, vast but they are not unlimited. As such we should try to add to our means rather than to our needs. It is only in this way that we can hope to clear up the already vast arrears in our deficit economy. We must expand our production in every possible way. This is indispensable. But whatever success is achieved in the expansion of production, the population cannot be allowed to increase indefinitely. Ultimately a decrease in the rate of population growth is not only desirable but absolutely necessary. The existing circumstances in the country show the possibility of an acceleration in the rate of population growth. This certainly will not help us in the solution of most of our problems. Instead, it may impede our onward march. Hence there is the need for an energetic population policy which must form an indispensable adjunct of national economic plan. And, for sometime to come, this policy should be the restriction of number.

It is perfectly correct that political freedom is an essential preliminary of any material advance. Real planning is not possible without a national

government with full freedom in economic matters. But to entertain the idea that with the attainment of freedom all our problems will disappear is wrong. Political subjection is a great handicap. No one can dispute it. But it is not the only handicap. There are other difficulties, which are no less fundamental. Even when we get the power, we shall have to reckon with the limitations of our resources in raising the standard of living of the masses from their present sub-human level of existence. The population problem will remain a fundamental problem for free India. The sooner we outgrow our lack of interest in our population problem and understand its essentials, the better will it be for the country.

Accepting then that the reduction of numbers must become a part of the policy of national renovation, the question arises as to what we can do with existing surplus number and the rate at which the population is growing. Since we cannot alter the past, we must take the existing population as the starting point. As far as the pressure of the present surplus number is concerned, there are two possible ways of reducing it, viz. (i) emigration, and (ii) redistribution of population within the country.

Emigration. Although emigration has played a great part in affecting the size of population of many countries, its role in our country has been practically insignificant. The total number of Indians domiciled abroad is estimated at roughly $2\frac{1}{2}$ millions. About a million and half live in the British Empire, mostly in Ceylon, Burma, Malaya, British Guiana and South Africa. But in most of these places Indians have to suffer great disabilities. They are treated as an alien element in the population. Even

our neighbours, like Burma and Ceylon, have placed considerable restrictions on our immigration. As regards the Dominions, Australia, Canada and New Zealand—they have definitely adopted the policy of keeping their territories as a preserve for future occupation by the Whites exclusively. Thus as things are, India is the only living space for our people.

There are great open spaces outside India which are sparsely populated and need additional hands for their development. The emigration of Indians to such places would serve a double purpose : it would expedite the process of economic development of those regions and also lighten the population pressure in India. The last War, in which millions of Indians fought bravely along with other peoples of the Commonwealth and Empire for the cause of humanity, peace and freedom, has shown the importance of mutual help amongst all people within the Commonwealth and Empire. It would be only strengthening this mutual help, if Indians are allowed to emigrate as colonists to sparsely populated areas with full rights of citizenship. But things to-day are far from promising. The colour bar and national jealousies are as strong to-day as ever. Unless these things are overcome and the problem of redistribution of world's population is wisely tackled, there can be no real and stable peace. The builders of world peace and progress must make serious efforts to bring about the necessary readjustment. This is possible only with the active cooperation of all the countries. In case of need some international body may be set up with adequate powers to make its policy effective.

Internal Migration. Although inter-provincial migration cannot affect the total size of population,

it will certainly relieve to some extent population pressure in highly congested areas. There is considerable waste land in the country; it is nearly one fifth of the total area. The proportion of such land in case of certain provinces is very high, e.g., 26 p. c. in Sind, 33 p.c. in N. W. F. Province, 44 p.c. in Assam. Considerable part of these areas can be opened up by the efforts of the State. The Government should plan for the colonisation of these regions which can offer reasonable opportunities for the settlement of our surplus population. Besides this, a general development of our vast potential resources will facilitate the redistribution of population and thereby relieve to some extent the existing pressure. This, however, presupposes that Provinces and States in which there are suitable areas for colonisation are willing to accept immigrants from over-populated areas. But unfortunately for some time past inter-provincial jealousies and rivalries have been on the increase. The present political situation is aggravating them still further. Such a state of affairs must go. Co-operation and good will between the different parts of the country are indispensable for the progress of India. This must be kept in view while framing the constitution of free India.

Control of Birth Rate. No amount of migration, external or internal, will be an effective solution of our population problem unless we plan for a reduction in our birth-rate. The factors which are contributing to the exceedingly high birth-rate in India are many, of which the important ones are universality of marriage with religious and social sanctions, low standard of living of the masses, absence of the use of preventive checks, and the low status of women.

If we wish to reduce our birth rate we shall have to control the above factors.

The institutions of early marriage and the universality of marriage are very powerful contributory factors to our high birth rate. Marriage in India is sacramental. To have a large family is an indication of the Blessings of God. Such a conception of marriage, in which are associated numerous social and religious customs, needs to be modified. The outlook of people with regard to these matters should be changed. This will necessarily take sometime. Old traditions and way of life cannot be changed overnight. There are, however, certain things which can be attempted. For example, the raising of marriageable age of boys and girls through legislation can help us in lowering the birth rate. Similarly, if monogamy is recognised as a rule of life, this too will prove a natural check. Other measures which may be recommended, depending upon the level of public opinion, are the compulsory sterilisation of the unfit, restraining aged widowers from marrying virgin girls, the growth of social obloquy attaching to the rearing of large families. In all these cases there will be the need for a well directed propaganda in order to create favourable public opinion.

Increased Production. Since poverty and high birth rate go together, a planned scheme for the development of our agricultural and industrial resources will take us nearer to our objective. Through increased production, for which there exists a great scope, we can raise the standard of living of the people. This is the surest method of limiting the rate of increase of population. True it is that the immediate effect of a rise in the standard of living

may be an increase in birth rate, but this is only a temporary phenomenon. Soon it will be overtaken by ultimate effects about which there can be no doubt.

Under the stress of war conditions the industrialisation movement in India got considerable encouragement. Many new industries were set up to meet War needs. As a result industrial employment in the country also increased. During the same period a great fall was recorded in our birth rate. From 34 per thousand in 1939 the birth rate declined to 26 in 1943. The relation between this fall in the birth rate and the growth of industry is a matter of vital importance. It should be subject to scientific investigation without which it is difficult to assess its significance.

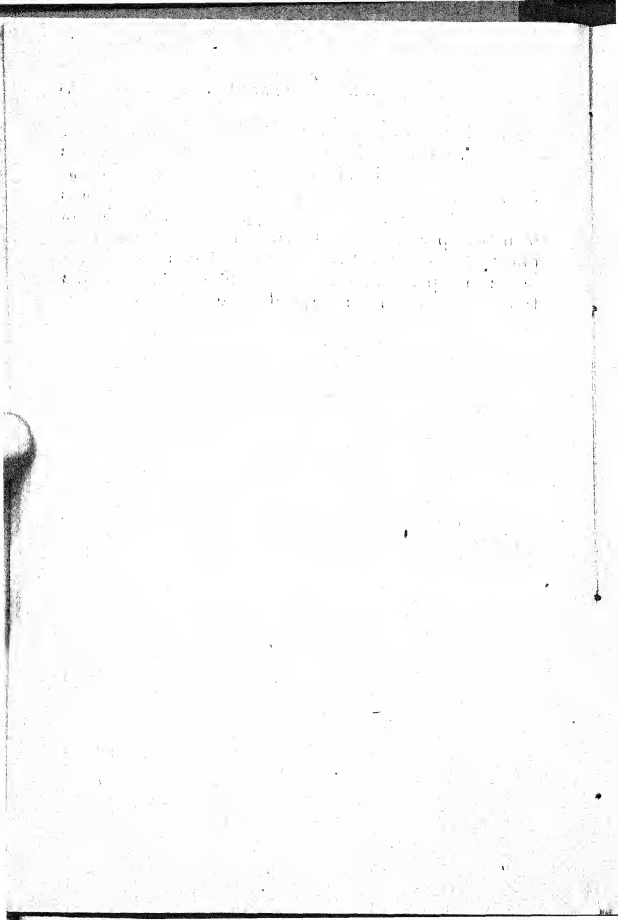
Family Limitation. Another factor which can take us to our objective of arresting the rapid growth of population is the use of contraceptive devices, popularly known as birth control. In many Western countries birth rate has come down to very low figures due to its influence. With wider use of birth control, health and longevity have increased, and infant mortality has come down. Birth control is now treated as one of the primary means of attacking poverty and of elevating social life above the level of reproduction and food-getting. At present there are very heavy odds against the general use of birth control in our country. But nevertheless the opinion in its favour has been steadily gaining ground. People are gradually coming round to the conclusion that birth control is both necessary and desirable. But still the movement is in its infancy in our country. To make the movement a success, great efforts are needed.

There is the need for intense propaganda on the subject for educating public opinion. Education for planned parenthood is most essential. This work has to be undertaken and performed by the State in a country like India.

These are some of the things which will have to be covered by our population policy. It is true that a number of difficulties will arise in our way, but they have got to be faced if we want to free our people from the ceaseless struggle for existence and give them health, joy and the will to live. Whether we have socialism or any other form of social and economic organisation, we shall have to evolve a planned population policy.

Population Data. In the end it may be pointed out that successful planning presupposes the availability of reliable and adequate statistics. This is the first step towards national planning. Unfortunately in India there is a great dearth of accurate and necessary data. In fact we are living in a statistical vacuum. Both official and non-official literature bear testimony to this fact. But it is strange that so far no planned efforts have been made to remedy this defect. It is now high time that the Government should move in the matter. As far as our vital statistics are concerned, we have the decennial census which has produced data of great importance. But it has to be acknowledged that such an investigation after every ten years is totally insufficient. The growth of population is a continuous process. Therefore for scientific discussion of the problem some sort of continuity in the census is urgently necessary. For this purpose an office of the Registrar General of Population Statistics should be immediately created

which will report every year on the state of population, age, life-table, and will also develop a scientific technique making it possible to correct existing data. Keeping in view the vast size of the country it is necessary for the Provinces to appoint similar officers in their respective regions who will work in co-operation with the Registrar General. Such an organisation is indispensable for the collection and scientific study of demographical data of various kinds.



V. V. Smith
~~W. V. Smith~~

Agriculture

meditation

INDIAN AGRICULTURE.

INDIA is predominantly an agricultural country.

About three-fourths of her population depends on this single industry. Therefore agriculture must receive our first and foremost thought in any scheme of economic reconstruction as it is the pivot of our economic system. No industrialisation can be possible without a substantial improvement in the purchasing power of the village folk. These teeming millions provide the best market for the country's industrial products besides supplying raw materials to our factories. Thus agriculture and industry are complementary to each other. With a proper plan we can have a balanced economy with ample scope for the development of all economic sectors in the country. Our problems are vast and varied and they can be tackled only by a strong sympathetic and capable government.

Economic holding.

Probably the greatest single defect in our agricultural system is the absence of economic holding for the average cultivator. No precise definition can be given of the term 'economic holding', as it varies according to the nature of the holding, the skill of the cultivator and the amount of labour and attention he bestows on his holding. It also varies with the standard of comfort to which the cultivator is accustomed. But judged by any standard, it can be said without any fear of contradiction that most of our holdings are uneconomic. Apart from the suggestion that a considerable proportion of the population should be transferred to other vocations, we must think of devising ways to bring about

compact and economic holdings, and to see that they continue as such. The Laws of Inheritance of Hindus and more so of Mohammedans (as they are more democratic) parcel out the land into fractions. Either they may be changed by introducing the Law of Primogeniture entitling the eldest son to inherit the land or some other scheme whereby the land may not be divided and sub-divided has to be evolved. But there is little justification for such a drastic change in the Laws unless we provide ample opportunities of earning their livelihood to the younger sons of a farmer over and above the payment of their shares in land after proper computation. That can be possible only when our economy is broad-based.

Various schemes and experiments of large farms are under examination. But the two most outstanding forms are the Russian system of Collectivisation and Cooperative form of the European countries. The Russian system consists of either State farms where cultivators work as State employees or collective agricultural Estates formed by groupings of the peasants of a village or of a group of several villages. In the latter case the resources in land, labour and capital are pooled and by joint management and marketing common advantage is reaped by the cultivators.

The Cooperative system is mostly in vogue in the European countries. The extent of cooperation is different in different countries. There is no compulsion as it is in the Russian system. The fifth meeting of the Crops and Soils Wing of the Board of Agriculture and Animal Husbandry in India, held in Baroda in November 1943, rejected the

scheme of compulsory collectivisation of land, based on the Russian model as unsuitable for India. But they favoured experiments in cooperative farming which can be successful only with State assistance in this country. Various other schemes of joint farming have been recommended in the country, but so far no success has been achieved in this direction except in the Punjab where over a million acres of land has been consolidated into compact blocks through the efforts of the Co-operative Department.

The pressure of population on land can as well be reduced by bringing the wasteland under cultivation. According to the Khareghat Committee Report 170 million acres are classified as culturable waste and fallow which is economically suitable for crop production. In addition to this another 80 million acres of land is kept fallow. How much of this land can come under plough needs a thorough survey. This includes arid land, land made unfit by erosion or overgrown by kans (long weeds), etc. All this needs a large investment. Capitalistic farming is an exception in this country and circumstanced as we are there is little possibility of it on the land already under cultivation without a revolutionary change. But the new land can only be profitably cultivated by mechanisation which may be undertaken either by the State or by joint stock companies under state regulation.

There is little room for improvement of yield without sinking capital in the land. It may not be mechanisation of agriculture on the western model, but it should not be subsistence farming either. Better seeds, better implements, better irrigation, better manure and better organising skill need better

finances which are beyond the capacity of an average farmer. This difficulty can be overcome if cooperative farming is encouraged by the State. The cultivators will retain their proprietary rights in the land, but for common good they will pool their land and labour. It will certainly give them better yield. The produce can as well be marketed more profitably.

Another burning topic of the day is the reform of the land tenure system of the country. There is a general opinion in favour of the abolition of zamindari rights. The Congress Government in U.P. has accepted the principle of abolition of zamindari and has set up a committee to consider this question. The Land Revenue Commission of Bengal has given its verdict for the abolition of the Permanent Settlement of Bengal. A number of rentiers have sprung up between the landlord and the actual tillers of the soil. They render no useful service to the community, and as such are drones and parasites. The sooner they are done away with the better it will be for a healthy growth of the village economy. In fact, landlord is an anachronism in the modern world. However, to be fair to them, these interests should be computed by an impartial tribunal and paid for by long-term bonds. The peasant proprietors should repay the State in easy instalments. Again, in some of the provinces we have different classes of tenancies; all these must be simplified. The peasant proprietor should have direct dealings with the State. If it be not feasible to do away with the landlords in the immediate future, the peasant should at least be guaranteed security of tenure and fair rent.

The total gross cropped area, sown annually, approximates to 298 million acres. Of this, about

80 per cent is under food crops. According to Dr. Burn's Note on 'Technological Possibilities of Agricultural Development in India' 55·8 million acres were under irrigation in 1940-41. In spite of our having some of the most spectacular irrigation works, such as the Llyod Barrage and Canals in Sind, the Cauvery (Mettur) project in Madras, and the Sutlej Valley works in the Punjab Indian agriculture is still 'a gamble in monsoon'. The Governments of U. P. and the Punjab have hydro-electric schemes which would enable the construction of tube wells besides supplying power for industrial and domestic purposes. With the development of power resources the whole of the countryside will hum up with agricultural and industrial activities. Like the Tennessee Valley (TVA) project which has changed the landscape in the United States of America we can harness power and electrify the rural areas. The Government of India has set up a Central Waterways, Irrigation and Navigation Commission with a view to advise and coordinate the activities of the various provincial and state governments. A number of schemes—like the Damodar Valley scheme, Sone Valley Scheme and Tungbhadra scheme, etc.—are on foot. It is proposed to bring over a million acres of land under irrigation besides providing power for industrial use and navigation.

Various estimates have been made of India's agricultural indebtedness. The Central Banking Enquiry Committee estimated the total agricultural indebtedness of British Indian provinces in the neighbourhood of Rs. 900 crores. This must have gone up in the period of depression when agricultural

produce was fetching very low prices. But in the thirties of this century a large increase in the number of ejectment suits and forced sales of land held out the grim prospect of the emergence of a dispossessed peasantry which constituted a permanent danger to the social stability and peace in the country. To save the peasant from ruin most of the provincial governments passed debt legislations which gave relief to the cultivators by scaling down the standing debts and by providing safeguards for the protection of the person and property of the debtor against undue exploitation by the creditor. The War gave added relief and respite to the cultivating classes owing to high prices of agricultural commodities. Although every section of the cultivating classes has not benefited by these high prices because a large number of them have no surplus margin to sell, yet it has certainly benefited the better-off section of the peasant population and it is rightly believed that this section has liquidated its indebtedness. Now it is a matter for investigation and research, and we suggest that every provincial government and State should undertake this useful work in hand. It should be a prelude to lay down future policies for rural financing. Before the War the rural finance was becoming a very complex problem, as while the provincial governments had destroyed the old financing agency, they did not supplant it by cooperative or any other method. It is high time that we plan our future financing agencies. We suggest the village co-operative society of a multi-purpose type (including marketing and storage of the cultivator's produce) to be the base of rural finance for short periods and Land Mortgage Banks for long periods. The village societies should be financed as at present by District Co-opera-

tive Banks and District Banks by the Provincial Co-operative Banks. The last institution should be linked with the Reserve Bank of India. Or there may be an All-India Co-operative Bank, an Apex institution, which may be linked with the Reserve Bank of India. For the existing debts of the cultivator the Bhavnagar scheme, whereby the money-lenders have been paid by the State and the peasants are to repay their debts to the State in easy instalments, may be tried.

The cultivator is very much handicapped by lack of good means of communications and transport. We have only about 41,000 miles of railways and 69,000 miles of metalled roads in British India. It is insignificant considering the size and population of the country. Again, the railway construction policy was to join the ports with the hinterland thus encouraging the foreign trade of the country. If, instead of these costly lines, India had developed a net work of cheap lines within the country our internal trade would have developed considerably. Now there is an urgent need of developing the road system of the country. There should be a proper coordinated policy of rail and road construction as our problem is not so much of competition as of greater construction and co ordination. Wherever possible inland water transport should as well be developed.

At present the cultivator suffers from a number of defects in the marketing of agricultural produce and he gets about 50 per cent. of what the final consumer pays for his produce. Attention has been paid to the marketing of agricultural produce since 1935 when a Marketing Adviser to the Government

of India was appointed. Since then a number of useful surveys have been brought out and some progress has been made in the introduction of standard Weights and Regulation of Markets in various provinces and States. There is need of an intensive drive to remove these defects. The best agency for this work is the Co operative Department. A co-operative society can provide finance as well as storage facilities; it can pool the produce of the members and sell it at profitable rates after its grading and standardisation.

No attempt had ever been made to effect crop-control and crop-planning in India before 1934 when a Conference was convened at Simla by the Central Government. This Conference was inclined to think that production of rice and wheat should not be extended. The problem of food was not studied from the nutritional point of view. Wheat and rice were selling very cheap. Foreign wheat had to be stopped by imposition of duties and Burma was part of India in 1934. The position changed materially after less than a decade when millions of our countrymen were starved to death. Again, while the two provinces of U. P. and Bihar restricted the output of sugar within these provinces in the years 1940-41 and 1941-42, several other provinces and Indian States actually encouraged sugar cultivation in their territories. Next, exports of cotton to Japan, our best customer up to 1941, and to the European countries had completely ceased during the War. It may not be easy to revive all this trade in view of world surplus of cotton. As against this, India imports several lakh bales of long-stapled cotton every year. All this needs proper adjustment after consideration of

our local needs and of the probable export markets. The acreage under Jute is very fluctuating from year to year and now under 'food drive' a substantial portion of this land and that under cotton has come under food-grains. It is high time to attempt a regulation of crop production for the whole of India on a definite plan.

India possesses the largest cattle population of any country in the world. According to the Fourth Census of Livestock held in 1935 the total cattle population of India is estimated at 215 millions as against about 690 millions in the world. The value of cattle, for a country like India with preponderantly agricultural economy and vegetarian diet of the majority of her people, cannot be over-emphasized. Not only do our cattle supply milk and milk products and serve as draught animals, the trade in hides and skins which represents only a minor by-product of the cattle industry has a greater monetary value than the total Indian output of sugar. The value of cattle manure is estimated at Rs. 270 crores, but in effect it is incalculable. The pity is that like the people our cattle are also famished and consequently their yield is very low. An increase in yield would lower the cost of milk production by spreading the maintenance charges and costs of depreciation and labour over a larger output of milk. The total annual output of milk in India is estimated at between 700 and 800 million maunds but owing to the density of population the average consumption per head per day does not exceed 7 to 8 oz. as against 15 to 30 oz. required by existing dietary standards. There are million of poor people who never taste milk or milk products. The law of average does not help

them. In the first few years of war thoughtless slaughter of cattle continued. However, in December 1943 most of the provincial governments passed the Cattle Control Order regulating the slaughtering of cattle. As regards the yield it can be improved by proper feeding and scientific breeding. Co-operative dairies should be set up at a distance of 25 to 30 miles from cities with provision of efficient and rapid means of transport. In every village common grazing ground should be ear-marked and special kinds of grasses should be widely sown. Pedigree bulls should be supplied to village people free of cost or at nominal prices and dry cattle should be saved from the knife of the butcher. Oil-cakes must not be exported out of the country. Mixed-farming should certainly succeed in places that are joined with cities by good roads. Manufacture of ghee should receive special attention. It should be free from adulteration. Vegetable ghee may be coloured or some other scientific process may be introduced to ensure the quality of pure ghee.

Soil erosion may be by wind or water. The latter has done greater harm in this country than the former. Rainfall in India is practically confined to a short period—June to September. Most of the water is carried away to the sea through rivers. It is necessary to regulate the rainfall after it reaches the soil. If the run-off water is successfully controlled it will check erosion which results in the loss of fertility of the land besides making it uncultivable at places. A system of embankments or bunds, with spillways, is a sure remedy even in the worst cases of denudation. On sloping grounds, terracing combined with surface-drains on the Java system should work well.

Afforestation is a remedy for both kinds of erosion.

The poverty of the cultivator stands in his way of putting in improved seeds in the soil. He cannot afford to experiment with new seeds, but when he is convinced of their value, as he is in the case of sugarcane, he takes to it without much preaching and propaganda. It is the duty of the State to evolve improved seeds in laboratories and supply them to the cultivator through seed stores. It will be better if every zemindar and well-to-do peasant is encouraged to set apart a few acres of good land for growing seeds of improved varieties. There is dearth of seed merchants in India. With a growing demand from our peasant class, the supply must follow.

The Indian cultivator is accused of using his cowdung as fuel. But we fail to understand and appreciate his difficulties. He knows the advantages of cowdung as manure, but he has no substitute fuel, coal or wood. Forests have been cut down and every inch of land has come under the plough. With the increasing pressure of population on the land there is need of intensive cultivation for which artificial manures are essential. Again, a large part of cultivable waste can come under plough after proper surveys. The cultivator should be taught to put every refuse of the house into the soil after proper processing. It will not only keep the environments clean but will give him a better yield from his land. Investigations are proceeding in connection with the manufacture of inorganic fertilizers and we hope the industry will establish on sound lines without creating foreign vested interests.

Our cultivator is using the same old implements and tools which he inherited from his forefathers.

Except in the Punjab Canal Colonies, improved tools are an exception rather than the rule. We believe that with our present system of cultivation there is little room for tractors and heavy machinery except on the newly reclaimed land. Further, we must adopt only those methods that are capital-economising and labour-using. They will suit the Indian economy. But it never means that we should not use even improved tools and implements. They should be manufactured within the country and should be supplied to the cultivators at concession rates through co-operative societies.

The Imperial Council of Agricultural Research should encourage researches to discover ways to protect the agricultural produce against insects and ungoid pests. Every year the cultivators and stockists suffer losses of crores of rupees. The Universities can take up these problems easily.

Lastly every effort should be made to restore the corporate life of the village. With the centralization of administration, village *panchayats* and other organisations have become defunct. A good deal of litigation can be avoided, and in most cases justice ensured. Our courts administer law, but often fail to administer justice. A village *panchayat* is in a better position to know facts. Only it has to be seen that the personnel of the panchayat is satisfactory and representative in character. We had numerous forms of 'Co-operation' in our village life in the past, but most of them are dead and gone. For example, at the time of marriage the bride's father was helped with cash, cloth, grain, *ata*, utensils, curd, milk and services willingly as a part of the duty of his friends and relations. It was not only a social obligation but a religious duty.

The system is now breaking up under the influence of the individualism of the West. Efforts should be made to revive this institution and put it on a healthy basis.

The village panchayats can help in making and repairing roads and drains. They can look after the village sanitation and can arrange lectures, talks and cinema shows on different subjects of interest. The school teacher can play the important role of the 'guide, philosopher and friend', if the right type of men are recruited. In fact, if the village school, village co-operative society and village panchayat are organized on sound lines, the problem of the village uplift will be considerably solved. But all this needs a band of enthusiastic and devoted workers. The government servants, high or low, regard themselves as masters. This is the greatest misfortune of the present administration. There is no real contact between the ruler and the ruled. Even the officers of the nation-building departments are not free from this scourge. Another difficulty is that the village is being constantly drained of its intelligentsia and propertied classes. For example, the zemindar wants to live in the town to enjoy the modern amenities of life; the moneyed man has lost his occupation in the village and feels himself more secure in the town, the artisan class is very much in request in the cities and those of us who receive education never care to go back to the village. Who will then reconstruct the village? There is therefore the need of a 'go back to the village' movement and that is possible only when we make it worth while living in the villages and this can only be done by the proper planning of our resources.

ABOLITION OF THE ZAMINDARI

ON the 8th August, 1946, the U.P. Assembly passed the resolution on the abolition of the zamindari system against vehement opposition and walk-out of the zamindar representatives and the Muslim League members. A good deal of heat was generated into the discussion and charges and counter-charges were flung at each other by the Opposition and Government members. Strange alliances were made to save the leaky boat of the zamindars. Sir Vijay (Congressite), Sir Jagdish Prasad (Independent) and Nawab of Chhatari (League) were deputed to wait on the Mahatama and get a *farman* from him to stop the high-handedness of the U. P. Ministry. But all these attempts and threats of bloodshed and secret negotiations proved futile.

Since then a number of provincial Governments have passed the Bill for the abolition of Zamindari rights and now there seems to be a definite move to end this institution at an early date. The congress as an organisation is committed to it. In the United Provinces a Committee was set up to examine this question in all its bearings and it has made recommendations in regard to rate of Compensation, etc. The Prakasam and Floud Committees have also given their verdict in favour of the abolition of this institution. Even the Zamindars have understood the trend of the time and barring a few, like Sir Jagdish Prasad, they have begun to suggest ways and means for easy liquidation of the rights of the landlord. For example, Rai Govind Chandra of Benares suggested that the Provincial Government should encourage the cultivators to buy the lands they

cultivate from their respective Zamindars and that the Zamindars should be allowed some time to sell away their lands. Now that a certain section of the cultivators is well-off owing to high prices of agricultural goods, it is quite possible they might be induced to invest their savings in land.

Let us examine the question calmly and dispassionately. Why do we want to abolish the Zamindari system? The Premier of U. P. assured us that it is not a question of vendetta. He said he is anxious to improve the standard of living of the poor masses. The verdict of the various committees and commissions is in his favour. The standard of life of a nation always depends on the standard of production of her people. With our agricultural economy we can improve the standard of living of the village folk only when we improve our agricultural production. It is no secret that at present our agricultural yields are very low. For example, while India produces about 100 lbs of ginned cotton per acre, U. S. A. produces 290 lbs and Egypt 521 lbs per acre. Again, while the average yield of sugarcane in India is 13 tons per acre it is 50 tons in Java. Our main problem is therefore to grow two blades of grass where only one is grown at present. How to achieve this end must be our first concern? Will the abolition of the zamindari system help us in increasing production from our land? And will there be a better distribution of the agricultural income? The zamindari system of land tenure is found in Bengal, Bihar and Orissa, United Provinces, North Madras and some parts of Bombay, and Central Provinces. The Raiyotwari system prevails in Bombay, C. P., Madras and Sind. The principal

form of land tenure in N.W.F.P. is called *Bhaichara*.

Under the zamindari system settlement may be permanent or temporary. In the United provinces, the division of Benares and parts of the districts of Azamgarh, Gonda and Bahraich are permanently settled areas and the rest of the province is under temporary settlement which is generally revised every 30 years. The following table taken from the Famine Commission Report of Bengal shows the areas of lands held by proprietors in cultivating possession ('Sir' or 'Khudkasht') and those held by various classes of tenants in U. P. :

| | | Area in Millions of acres. | |
|-------|---|-------------------------------|-------|
| A. | 'Sir' and 'Khudkasht' | | 5.96 |
| B. | (1) Hereditary tenants | 14.99 | |
| | (2) Occupancy tenants | 10.41 | |
| | (3) Ex-proprietary tenants & holders of special tenures in Oudh | 0.81 | |
| | (4) Fixed-rate tenants and permanent tenure holders. | 0.71 | 26.92 |
| | | <hr/> | |
| C. | Non-Occupancy tenants | | 0.19 |
| | | <hr/> | |
| Total | | | 33.07 |

The chief function of the zamindar is to collect land revenue. He also collects irrigation dues in certain parts for which he is paid commission by the Government. He is generally the *mukhia* of the village and assists the Police in investigations and prosecutions. He entertains State officials whose patronage he enjoys and needs on different occasions.

In times of political upheavals he used to help in suppressing the movement and start an *aman sabha*. In brief, he was a source of strength to the old order. But we wonder if he can be of much avail in a popular government as at present unless he radically mends his ways. Little hope can be reposed in him with his record of service.

Lord Cornwallis introduced the Permanent Settlement in 1793, partly to facilitate revenue collection and partly to create a class of landed aristocracy in India on the British model. He believed the zamindar would effect improvement on his land and identify himself with his tenants. Unfortunately his hopes have been belied. An army of intermediaries has sprung up between the landlord and the tiller of the soil who render no useful service to the community. The land revenue, being fixed in perpetuity, has become inelastic and the community is deprived of substantial revenue which could be devoted to the nation-building activities. The Government has lost contact with the ryots and cannot command intimate knowledge of agricultural conditions,

In the temporary settlement the conditions are more or less the same, except that the revenue is not fixed in perpetuity. The big zamindar or taluqdar behaves no better. He is accused of extorting *nazrana* and premium not only on the renewal of the lease but on so many other occasions. Many of them leave the country homes and take their abodes in cities where they can get better amenities of life. The work is left to *karindas* or clerks who harass the poor people. What incentive can there be for initiative and enterprise under such depressing

conditions? Whatever may have been the justification for the zamindari system in the past it has outlived its utility and is an anachronism in the modern times. The World is fast moving towards socialisation of the instruments of production whether it is land or factory. Witness the same tendencies even in Britain, the father of capitalism.

The next question that should engage our attention is whether the zamindari rights should be confiscated or compensated. There are different kinds of zamindars—some of them have inherited their estates, others got them as *Jagirs*, still others acquired them against loans and some of them purchased their lands for a fair or fancy price. It is difficult to treat each case separately. A formula or a few formulae of general application will have to be evolved to compensate the land-owning class on a fair basis.

The forms of compensation may be cash or long-term bonds or annuities. It is difficult to raise enough cash at present to liquidate zamindari rights, but the other two methods are quite feasible. Bonds of 20 to 30 years' duration can be given to the zamindars on a low rate of interest. Every year out of the land revenue collected not only can interest be paid but a part of the loan can as well be liquidated. The State pays 60 per cent of its revenue collections to the zamindar. On the authority of a very high Revenue Officer in U. P. the collection charges are estimated at 5 to 10 per cent of the land revenue. Even if they be taken at 10 per cent, the change will augment the Provincial revenue very considerably. All this excess should be available to the State to liquidate bonds or pay annuities.

In fact, the annuity system will be the best and the easiest to work. It will afford an additional advantage of protecting the spendthrift from wasteful habits.

The Provincial Governments have set up expert Committees to determine the amount and form of compensation. There are numerous grades of landlords in the country and it will take some years to assess their rights in money. Again the recommendations of these expert committees differ widely. The highest compensation can be one which can secure to the landlord the same income that he enjoys at present. We are afraid it may not be possible. But we are also against confiscation of the land as is proposed by certain enthusiasts. The United Provinces Committee on Abolition of Zamindari rights has proposed a graded scale. Another important question to decide is whether the right of ownership should in future vest in the state or in the cultivator. Are we going to have collectivisation of land or co-operative or peasant farming? Personally we believe collectivisation of the Russian Model will not suit our conditions. Our governments should aim at creation of peasant proprietorships of economic size. These proprietors may own their respective lands under improved conditions, and for selling their produce and other agricultural operations, they may form themselves into co-operative societies or unions.

One more question has to be disposed of. What occupations are to be given to the landlords who are dispossessed of their holdings? Is it not the duty of the state to guarantee them employment when they are also members of the society? We believe it is. But we think the apprehension is exaggerated.

The well-to-do among them can easily take to trade industry or learned professions. With the industrialisation of the country so many new lines will be opened to the willing and capable workers. There is a vast field of employment before them. Only they will have to adapt themselves to the changed order. On the other hand a vast army of Zamindars will continue to till the soil as before, probably now with greater zest and enthusiasm. They will again provide leadership in the village but in a new order. They will have to cast off their feudal ideas and shall imbibe the spirit of service and brotherliness.

After all this has been done the Government should aim at the creation of economic holdings. The evils of fragmentation and sub-division are too numerous to mention here. They must be checked by legislation and it is a fact that with the abolition of zamindari rights the State will be in a much better and stronger position to bring about consolidation of holdings and initiate other agricultural reforms. It will also necessitate the change of the laws of Inheritance which can be justified only when the State can provide useful occupations and vocations to the younger sons of the cultivators who may be dispossessed of their holdings under the Law of Primogeniture. That means economic planning with a view to give full employment and a better standard of living to the people. But all this task, though difficult, will be considerably facilitated if the State established direct relationship with the peasant.

ECONOMIC HOLDINGS

PROBABLY the greatest single defect from which our agriculture suffers is the lack of compact and economic holdings. Various investigations carried on in different parts of the country from time to time bear testimony to this fact. Mr. Keatinge has expressed the opinion that "the agricultural holdings of the Bombay Presidency have to a large extent been reduced to a condition in which their effective cultivation is impossible", and Dr. Slater found that similar conditions prevailed in parts of Madras. According to the enquiry of Mr. B. P. Jain "the average area per family in the Gorakhpore division is 4.8 acres while in the Agra district 27 per cent of the families had less than $2\frac{1}{2}$ acres and 23 per cent had between $2\frac{1}{2}$ and $4\frac{1}{2}$ acres." In the Census Report of India (1921) the number of cultivated acres per cultivator is given as follows:—

| | | | |
|--------------|----------|------------------|----------|
| Bombay | ... 12.2 | Bengal | ... 3.1 |
| Punjab | 9.2 | Bihar and Orissa | 3.1 |
| C P. & Berar | 8.5 | Assam | 3.0 |
| Burma | ... 5.6 | United Provinces | ... 2.5 |
| Madras | ... 4.9 | | |

Since 1921 the position has further deteriorated as the increase in our population during 1921-31 has been by 10.6 per cent. and between 1931 and 1941 by 15 per cent. It seems agricultural employment has reached the 'saturation point' in the provinces of U. P., Assam, Bihar, Orissa and Bengal. The provincial governments in co-operation with the

Centre must, therefore, seriously tackle this problem at the earliest moment.

What is an economic holding? It is difficult to precisely define an economic holding. It varies from man to man and from land to land. It may vary according to the skill and industry of the cultivator. A *Jat* can get a much better yield from the same plot of land than a *Brahmin* who will not touch the plough in the eastern districts of U. P. It varies according to the fertility and site of the land. A plot of five acres near a city may keep a family of vegetable grower (*mali*) in reasonable comfort, but it may be quite inadequate in a village where they grow common cereals. Again a plot of land that may be an economic holding in the Gorakhpore or Meerut division may not be so in the Bundelkhand division because the soil is not so fertile in the latter division. Further, it will vary according to the standard of comfort of the cultivator. A *Rajput* will need more land than a *Chamar* because his standard of living is much higher. Economic holding is, therefore, not a fixed quantity. It is indeterminate and movable. But for practical purposes we have to evolve certain typical averages to guide us. We believe an economic holding should be one which can keep an average family of a cultivator in reasonable comfort. Our estimate is that a plot of 10 to 15 acres in U. P. should be sufficient to keep a cultivator and his family engaged on it and if properly cultivated it can keep him in reasonable comfort too.

Owing to lack of diversity of occupations in the country the pressure of population on land has been constantly increasing. The land is divided and

sub-divided on each succession. The laws of inheritance of Hindus and still more of Muslims (as they are more democratic) parcel out the land into fractions. After a generation or two, unless the joint family is maintained, an economic holding is turned into uneconomic holdings. The result is that there is not enough work even for the poor equipment of the Indian cultivator. The yield is very small and the fixed costs bear a larger proportion to the value of the product with every division. To the question whether there is a tendency to progressive reduction in the average size of holdings put by the last Famine Commission, most of the provincial governments agreed that the tendency exists and is well-marked. In the case of U. P. the information was inconclusive although a decrease in the size of plots with in holdings was definite.

The evil of smallness of holdings is accentuated by the fact that it is often divided into tiny plots which are scattered over all the village area. It is the result of continuous partition of each field among the heirs on each succession. Extension of cultivation over wasteland and purchase and sale of land further aggravates the problem. In extreme cases the result is simply ridiculous. It is an unmitigated evil and particularly so where the soil is of more or less uniform quality. As observed by the Royal Commission on Agriculture in India 'about 5 per cent of the land which would normally be cultivated is lying useless owing to fragmentation being so excessive as to prevent any agricultural operation, while another one per cent is lost in boundaries which could be abolished on consolidation'. Even where cultivation is possible it involves considerable

waste of time, energy and money. It leads to unnecessary litigation and makes it impossible to carry on any permanent and effective improvements on the land, e.g., sinking of wells, bunding, etc. The only advantage claimed is that the holding of land in different soil areas may afford a certain amount of insurance against the vagaries of seasons. There is some force in this argument. But the disadvantages are far too many and of very serious character, and the sooner this evil is put an end to the better it will be for all concerned. We must aim at compact and economic holdings.

The remedial measures can be of two kinds—voluntary and legislative. The experience of other countries like France, Germany, Denmark, Switzerland, Belgium and Japan suggests that voluntary measures in themselves are not sufficient to bring about compact holdings. It is because of the sentiment attached to the land, the inertia of the people and the lack of adequate areas of the same kind of land for exchange purposes. On the side of the government there is lack of efficient and trained staff to carry on consolidation and organize propaganda for that end.

The Baroda State has granted facilities for voluntary exchange of land and has also passed permissive legislation. The State has very wisely fixed the lowest limit below which partition of agricultural land would not be allowed. It is very necessary to secure subsequent indivisibility of reconstituted holdings otherwise all the labour and expense of consolidation work shall be wasted. In the Punjab about $1\frac{1}{2}$ million acres out of 30 million acres of cultivated land has been consolidated through

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co operative effort. As against this in the United Provinces only about 75,000 acres of land has been consolidated. The Punjab enjoys certain special advantages. Its villages are more homogeneous as regards land as well as population and the land tenure is comparatively simple. In U. P. consolidation work is carried on by two departments—the Department of co-operation and that of Revenue and consolidation of Holdings Acts was also passed in 1939, Yet it must be said that the progress is highly unsatisfactory. The problem was discussed in the Provincial Economic Advisory Board as well as in the Economic Research Advisory Committee and many useful suggestions were made. But the thing lacks drive and unless it is forthcoming no amount of discussion or legislation can be of much avail. Besides propaganda even judicious compulsion may be found necessary in case of stubborn and unreasonable cultivators.

Sub-division of holdings can be effectively checked only by changing the laws of inheritance whereby land may not be sub-divided among all the legal heirs of the deceased but it may pass on to the eldest or to any other son who should pay compensation to the other heirs. For the Muslim community, the Egyptian system is suggested, whereby, *although the land is formally divided amongst the heirs, it is actually left in the hands of one to carry on cultivation for all the members.* A similar system of joint farming can be tried among Hindus as well. This will check fragmentation as well as sub-division of holdings. To bring about economic holdings we shall have to transfer a certain number of work units to other occupations whether in the village

itself, in the form of cottage industries, dairy farming, etc. or to large-scale or medium-sized industries or to trade and transport or to professions. All this necessitates economic planning of our resources for the welfare of the general people.

Certain enthusiasts suggest the Russian model of collective farming where the State owns large agricultural farms and the tenants work as state employees, or collective agricultural estates are farmed by grouping of the peasants of a village or of a group of villages. Such a compulsory collectivisation of the land and resources is not possible in India at the present moment. However, wherever possible experiments should be made in co-operative farming which does not interfere with the ownership rights of the tenants but brings them together for joint cultivation and other common purposes. But co-operative farming can only succeed if the Government takes the initiative in this line. According to the Khareghat Committee Report 170 million acres of land is classified as culturable waste and fallow as is economically suitable for crop production. How much of this land can come under plough needs a thorough survey, because it includes arid and *usar* land, eroded land, and land overgrown with *kans* (long grass), etc. All this needs a large capital investment in the form of heavy machinery and irrigation facilities. Capitalistic farming is an exception in this country and circumstanced as we are there is little possibility of it on the land already under cultivation. But the new land can only be profitably cultivated by mechanisation which may be undertaken either by the State or by joint stock companies under state regulation. After developing these

estates the Government may pass them on to the co-operative societies. It will go a long way in solving our food problem too.

For a fuller discussion on this subject the reader is advised to see the next article.

✓ V. J. J.

CO-OPERATIVE FARMING.

SUCCESS in agriculture greatly depends on the size of the unit of cultivation. If the size of a farm is inadequate, the other factors cannot operate fully, or to the extent that is necessary, as a result of which cultivation is bound to be inefficient and even unprofitable. In India the holdings or units of cultivation suffer from two defects. Firstly their size is very small, secondly they are widely scattered. Although no consolidated statistics are available about the distribution of holdings according to size in India, the various official and non official surveys which have been made in different provinces gave an indication of the extent of sub-division and fragmentation. For example, in case of Bengal the Floud Commission observed that 42 per cent of the farmers' families have holdings below 2 acres each, while another 21 per cent have lands between 2 to 4 acres each. Thus, on the whole, nearly two thirds of the cultivators have holdings of less than 4 acres. In other provinces also more than 60 per cent of cultivators have holdings of less than 5 acres each. For 73 villages surveyed by the C. P. Provincial Banking Enquiry Committee, the figure is 68 per cent, for the 6 villages surveyed by the Punjab Board of Economic Enquiry, it is 70 per cent. Intensive regional enquiries reveal a still more alarming state of affairs. In Druli Kalan (Punjab) for instance, there were 424 fields of less than '006 of an acre each. Such "toy holdings" are not unknown in other parts of the country as well.

Another significant fact about Indian holdings is that they are scattered over a wide area. The

fragmentation of holdings is caused not so much by the act of sub-division as by the manner in which it is effected. "Each heir invariably demands his share of each item of the property, his share in each kind of soil of every well, tank, house, grass, pasture, of roads and paths, and even of individual trees." As a result successive generations, descending from a common ancestor inherit not only smaller and smaller shares of his land, but inherit that land broken up into smaller and smaller plots scattered in different places. Over a major part of the country, it has been found that whether the holding is big or small, it is scattered on an average in 5 to 8 strips.

The scattered toy-size holding lies at the root of agricultural backwardness. Besides involving terrible loss of labour, land, manure and water, and thereby increasing the cost of production, it stands in the way of permanent improvements of the land, such as well construction, maintenance of banks and drains to check erosion and waterlogging of the low lands. It hinders personal supervision of the crops and makes large scale intensive farming practically impossible. As a result it has made agriculture not only inefficient but even unremunerative as well in many cases. The first and foremost step in the planning of agriculture in India must therefore be to devise means for securing a large increase in the size of the units of cultivation. Without this capital and organisation, which are acknowledged to be the secret of successful operation in the modern age, cannot play their part effectively. Till then Indian agriculture will not be in a position to attain a condition of either competitive efficiency or of profitability.

The usual remedy that is suggested to meet the above difficulty is consolidation of holdings, which consists of substitution, by exchange of land, of a compact block for a number of separate fragments. The Punjab has been a pioneer in undertaking this important reform. Initially, the work of consolidation was carried out in this province on a voluntary basis through a special type of cooperative society. At the end of 1943 there were 1807 societies for consolidation of holdings in the Punjab and the area consolidated amounted to 1.45 million acres. In the United Provinces there are about 235 such societies. They have been able to consolidate one lakh of bighas and reduce the number of plots from 177,635 to 12,392. Some work of consolidation has also been done in C. P. and the Baroda State; in the rest of the country very little has been done to remedy the evil of sub-division and fragmentation.

In this context we must remember that consolidation of holdings is necessarily a very slow process because of the fact that consolidation operations take well over a year in a village of average size. The co-operative societies have to encounter numerous difficulties caused by factors such as peasant's indebtedness on a large scale, lethargic attitude of the people, sentimental attachment to land, want of adequate areas of the kind of land for exchange, lack of suitable staff and so on. As a result of all these the progress in the work of consolidation is bound to be painfully slow. Further, the advantages of converting 'dwarf holdings' into economic units can be reaped only when peasant owners have appreciable quantities of capital for investment in the

land. The peasants of India are too poor to satisfy this condition. Again, consolidation is, at best, a temporary remedy for fragmentation. For under the existing laws of inheritance, which are based on the principle of equal inheritance, holdings are certain to become smaller and smaller with increasing population.

This has led many to suggest that in place of the existing laws of inheritance the rule of primogeniture or 'preferred heir' should be adopted which will arrest further sub-division of holdings. Arrest it will, but what about its practicability or even desirability? The principle of equal inheritance has been an integral part of the structure of our rural society since times immorial. It is the expression of the society's sense of justice and fair distribution of the available opportunities. It has taken deep roots in the hearts of peasant owners. Any radical modification of the law of inheritance will be severely opposed by them, and it is simply idle to think that the principle of preferred heirs can be introduced in spite of popular opposition. In fact, it is the considered opinion of many, including the Land Revenue Commission and other expert bodies, that such a course is highly impracticable. We can, therefore, say that the principle of primogeniture is not a suitable means to avoid the evils of uneconomic holdings.

Thus the case for peasant proprietorship becomes weaker. There are many who strongly believe that through peasant proprietorship Indian agriculture can become prosperous. They admit that at present the peasant holdings are exceedingly small and that it makes efficient agriculture impossible. But accord-

ing to them this difficulty can be easily met through the process of consolidation of holdings and the introduction of the rule of primogeniture. They hope to establish economic holdings in this way which will pave the way for agricultural prosperity. If peasant proprietorship, helped by these measures, could meet our problem, there would be nothing better than this. But in view of the arguments given above there is no real foundation for such a faith. The present man-land ratio and the existence of dwarf holdings considerably weakens the case for peasant proprietorship.

This leads us directly to the conclusion that for the development of agriculture, which is the main occupation of the masses in India, the individualistic petty farming needs to be replaced by some sort of joint farming. The reorganisation of agriculture on the basis of some kind of joint action on the part of peasants can, in the main, take two forms, viz. collective farming and cooperative farming. Let us examine these two alternatives a little in detail and see which of the two will be more suitable for our country. We first take up the analysis of collective farming.

Under collective farming, no individual proprietary rights in agricultural lands are recognised; that is, there is no individual ownership of land. All rights in the land belong to the community. The members of the community are treated as equals. No distinctions are made between one member and another on account of birth or inheritance. The work is common. The allocation of work, the distribution of income, and the disposal of surpluses are in the hands of a management committee which is

chosen by the members themselves. Since all the members are not equal as workers, collective farming allows for differences in output of work, in skill and in capacity. But it must be noted that under collective farming differences in incomes arise on account of differences in the nature and quantity of work done by individual workers, and not due to the virtue of land which belonged to them before collective farming was introduced.

Collective farming is followed in Russia. The Russian collectives exhibit numerous forms, but in the vast bulk of the collectives the following important features are noticeable. "The members surrender their land irrevocably, the work is common, the rights in land and in live and dead stock are joint, and the surplus product is divided among the members, but the incomes are separate, and the members live, and mostly feed with their families and in their own houses." Each collective farmer is, however, allowed to own privately up to three acres of land around his homestead for kitchen gardening, raising poultry or other similar purposes. The working members are classified into groups or brigades and the work is allocated on a group basis. The brigade leader checks up the work done by the members of his group. The income of each worker is adjusted to the output of his work and the type of job performed by him. To be more precise "the remuneration of collective farmers is calculated in 'work day' units, i.e., the value of the average amount of work that can be performed by a collective farmer in one working day, as fixed by a standard quota for each type of work. Differences in skill or special efficiency are remunerated by grading up

some jobs to a higher equivalent in 'work day' units than others." This special method of paying wages has been designed to provide an incentive for the improvement of the farm. The collective farms, it must be noted, are highly mechanised. The State maintains Machine Tractor Stations at suitable centres where tractors combine and harvesting machines are kept. The collectives can make use of the services by paying in kind at a fixed rate. The average size of the collective farm varies greatly from one region to another. It is below 600 acres in white Russia, above 1800 acres in Ukraine, and is twice or three times as large on the middle and lower Volga. This big size of the collective farms has led to large scale and highly mechanised agriculture in soviet Russia. As a result there has taken place a great increase in agricultural production. So has increased the income of a member family. Between 1932 and 1937, for instance, the income of a member family in terms of grain increased from 0.6 ton to 1.7 tons.

Encouraged by the success of Russian collectives in the sphere of agricultural production some have begun to entertain the idea that collectivism would also suit us. But if we care to examine certain things closely we will be easily convinced of the unsuitability of this measure. First, in Russia collectivisation was pushed through at great human cost and under a ruthless dictatorship. It is estimated that more than 20 millions had to be liquidated in order to make collectivisation a success. We should not ignore such wholesale repression which is inevitable while discussing the case for collectivisation. In our opinion such a colossal repression,

besides being opposed to by the toiling peasant masses, will raise many difficult socio-economic problems. Secondly, collectivisation necessarily involves abolition of individual ownership in land. In our country we have a long tradition of individual ownership in land. This right has long been valued and freely exercised. We find a deep attachment to the ownership of land. As such any proposal which aims at the abolition of this valued right, which has been freely exercised since the earliest recorded times is bound to be severely opposed by the peasant owners and also by the hereditary tenants who together constitute the backbone of Indian agriculture. Such an opposition becomes all the more justifiable in case the owners of factors of production in other fields are left undisturbed. Why should the peasant alone be asked to surrender his rights in land? Since the measure is bound to be opposed by the peasants, it will not be wise to push through the scheme of collectivisation. For we must accept the fact that in order to be successful in our task of reorganising the rural economy we must have the peasants with us, and not against us. Hence we can conclude that in the existing circumstances of India Collective farming is not suitable. If a policy has been successful in one country at a given historical moment, there is no justification for jumping to the conclusion that it will be so in another country as well because it may be at a different stage of development.

From what has been said so far two things clearly emerge out. First there is the need to reorganise Indian agriculture on the basis of some kind of joint action or management. This will make

large scale cultivation possible which is indispensable for a permanent solution of the problem of increased agricultural production. Secondly, there is a great attachment to the ownership of land and to the principle of equal inheritance. It is so deep-rooted that to make an attempt to uproot it will be very risky. Hence we need such a scheme of reorganisation which would satisfy these two conditions. A scheme which leads to joint farming without disturbing the rights of ownership and inheritance will therefore, suit us most. It is claimed that cooperative farming can meet these two conditions very well. But what does cooperative farming mean? What form or forms does it take? It is necessary that we should be clear on fundamental issues. It is particularly so because cooperative farming is only a suggestive phrase and is used differently by different persons.

The application of cooperation to farming may take four forms. Firstly, it may take the form of Cooperative Better Farming Society. In this form the holdings of individual owners remain distinct but cooperation is extended to a number of operations. For example, individual owners may cultivate their own holdings or let land to one another, but they may cooperate in buying, selling or in the use of machinery. The society is designed to improve the methods of farming. In furtherance of its object it may undertake such measures as joint purchase or sale, cleaning, grading, joint arrangements for watch and ward, etc. But there is no compulsion on the part of a member to follow any plan of cultivation laid down by it.

Secondly, it may take the form of Cooperative

Joint Farming Society. In this case the claims of individual ownership are respected, but the owners pool their land for joint management; that is, there is individual ownership but collective cultivation. Members work on the pooled land according to the directions of the management committee. The work is joint and each member receives wages for his daily labour. The produce thus raised is marketed collectively. The proceeds of the sale after meeting all the expenses of production, including the payment for the use of land, wages, price for seeds, manures are shared by members in proportion to the wages earned by each. A certain sum is also set aside in the reserve fund before the final distribution takes place. The main function of the joint farming society is to prepare the crop-plan and undertake all agricultural operations on joint basis. Such a society will not make any change in the tenurial system, but it will secure for its members the advantages of large scale farming.

③ Thirdly, cooperation may assume the form of Cooperative Tenant Farming Society. That is there may be collective ownership and individual operatorship. In this case the society owns land in freehold or leasehold. The land is divided into smaller holdings, each of which is leased to the individual tenant cultivator who is a member of the society. Each tenant member pays fixed rent for his holding. Although the society undertakes to supply agricultural requirements like seeds, manures, credit, etc., and also makes arrangements for the sale of the produce, it is not binding on the members to avail of these facilities. They are free to raise their produce and dispose it of as they like. Thus this

type of society replaces the superior landlord, Members, in a way, become their own landlord. As such this would give fixity of tenure and freedom from the oppressions of the zamindar.

Fourthly, there may be collective ownership as well as collective operatorship. The society may be given the name of Cooperative Collective Farming Society. Here the society possesses a freehold or a leasehold land and uses its members as paid workers to cultivate the land according to its crop-plan. In this case the workers on the farm remain neither individual owners nor individual cultivators. The individual holdings disappear. The members pool their labour resources in return of which they are paid wages. At the end of the year profits are worked out after meeting all expenses of production and divided in proportion to the wages earned by each member. This looks like collective farming as practised in Russia. But there is some difference between the two. The cooperative collective farming society is a democratic institution managed by the members themselves without any dictation from the State. On the other hand, the Russian collectives are largely controlled by the State. The State outlines the production programme which has to be followed by the collective farms. It also lays down a rigid price policy for them.

These different forms of cooperative farming societies have been successfully organised in many countries of the world, notably in Italy, Palestine and Scandinavia. In Italy the societies are generally of two types, viz., *conduzione unita* and *conduzione divisa*. Under the former the means of production are owned by the society and the work of cultivation is carried

on jointly by the members who, in return of their services, receive wages. Whatever remains after meeting the costs is distributed among the members in proportion to wages earned. Under the latter form, the land is leased to members for individual cultivation. The society undertakes to provide certain necessary facilities relating to credit, marketing etc. for the benefit of the members. In Bulgaria the societies are usually for joint farming which numbered 21 at the end of 1940.

Now the question is, which of these forms can be successfully adopted in our country? The choice shall depend on the prevailing economic conditions, the social customs and the psychological make up of the people. The best thing in this connection would be to make experiments with the various ways of cooperative farming and then decide finally. The country offers plenty of scope for experiment. Even then there are certain general remarks which can be usefully made with regard to the scope and the possibilities of success of the different forms of cooperative farming.

Of the four forms, the society based on individual owner-operatorship, i.e., the Better Farming Society, appears to be in the nature of the preliminary stage. Here cooperation is extended to cover everything except farming. If individual holdings are sufficient in area and the peasants are willing to co-operate in as many operations as possible, much can be achieved through such societies. But these conditions are not obtainable in the country. The holdings in India are notoriously small. Even if they are consolidated through cooperative societies, they will soon break

up due to the operation of the principle of equal inheritance; and as already said above it would not be practicable to replace this principle partly because of its long history and partly due to there being too much love for land. Thus we find that such a society, although it promises numerous benefits of association to the members, will not remedy the fundamental weakness in our agriculture, and till that defect is removed it shall not be possible to lift up agriculture from its present low level, and improve the standard of living of the peasants. In fact, cooperation in farming should be the first stage rather than the last in the process of cooperation among peasants. Cooperation in other fields will necessarily follow cooperative farming.

The scope for cooperative collective farming and cooperative tenant farming is not very great. This can be tried where new land is brought under cultivation. For example, if the colonies of cultivating ex-servicemen are created in India, they may form such societies. To facilitate the task the State must provide the capital outlay of these societies on agricultural machinery or operational needs. It will also be helpful if the ex-servicemen are given the necessary instructions in improved methods of agriculture. Special classes for this purpose should be started by the Agricultural Department.

One which will remedy the fundamental defect of our agriculture and at the same time be acceptable to peasants is, we think, cooperative joint farming. It will increase the size of holdings for purposes of cultivation without depriving cultivators of their right to ownership of their holdings. Though the principles of ownership and equal inheritance will

be fully respected in a system of joint farm management, it will be necessary in the interests of peasants themselves to give a new concept to ownership. When all the land of a village passes into joint farm management ownership will be dissociated from control over the use of separate bits of land in the village. Then "It will not imply permanent physical possession over an association with a specific piece of land, nor will it imply the right to let that piece of land to a tenant-at-will in return for rent" The owner will have the right to receive an income from the farm. He will also have the right to work for which he will be rewarded. Thus the income from land will consist of two parts: Work income, and ownership dividends. A peasant, who both owns and works will get ownership dividend as well as work-income. In case a peasant owns but does not work, he will be given only the ownership dividend. Under joint farming the principle of equal inheritance will also be respected. "Sons will not now share particular bits of land, they will share equally the ownership dividend due to their total holding."

✓ In this way we find that joint farming offers a concrete and immediate solution. It provides for a reorganisation of agricultural economy in the shape of an efficient system of production. It is also likely to go down with our peasant community because of the fact that it makes adequate provision for the ownership and inheritance of land. This being so efforts should be made to organise joint farming societies wherever possible. The State should shoulder the responsibility of farming and encouraging such societies by means of grants, subsidies, technical assistance, etc. To begin with, a few

societies should be organised in suitable areas, and if found successful widest possible publicity should be given in the form of leaflets and wall notices. Efforts should also be made to urge the peasants of neighbouring villages to personally visit the experiment and thereby satisfy themselves on the spot about the success and practicability of cooperative joint farming.

RURAL RECONSTRUCTION

POVERTY and ignorance are the two greatest curses of our rural society. The per capita income of India is estimated at Rs. 65 as compared to Rs. 980 for U. K. and Rs. 1,406 for U. S. A. The income per head for Indian villages is only a little over Rs. 40. What standard of life can be maintained on this poor pittance? They do not get two meals a day. Bare-footed and bare-headed, without a blanket or quilt, lakhs of pilgrims come to the Sangam in the bitter cold of January. It is only the tremendous faith that has sustained them so long. The standard of education is no better. Our people have to go several miles to get their letters read out to them. They cannot write their letters and money-orders themselves. It is really a very sorry state of affairs, and now that we are a free nation, rural reconstruction must have the first priority of our State as well as the social reformer. Ninety per cent of our population lives in villages. Unless we aim at improving the condition of our villages no economic or social reconstruction is worth our consideration. Large-scale industrialization alone shall not solve our economic problems.

✓ The main occupation of our village people is agriculture. Therefore improvement of agriculture should be the first consideration of the Government. The yield per acre in India is much less than in foreign countries. For example, while India produces about 100 lbs. of ginned cotton per acre, U. S. A. produces about 250 lbs. and Egypt 450 lbs. per acre. Again, while the average yield of sugar-cane in India is only 13 tons per acre it is 50 tons in Java. Is it

not a matter of shame and sorrow that an agricultural country of India's size where every three persons out of four are engaged in agriculture alone is not able to produce enough food for her people? It is because of certain serious defects in our agricultural system. Uneconomic and fragmented holdings, absentee landlordism, chronic indebtedness, inadequacy of irrigation works and manures, lack of crop control and crop planning, poor live-stock and want of corporate life in the village are some of the shortcomings which are responsible for the poverty of our masses. Unless these defects are removed and agriculture is rationalized the lot of the poor man cannot substantially improve.

✓ As regards the system of land tenure we believe that peasant proprietorship will suit our needs best at present. There is no justification for the continuance of the Permanent Settlement or the Taluqadari system. But it must be remembered that mere abolition of Zamindari rights will not bring a new heaven on this earth. There is need of economic and compact holdings and of better farming through cooperative or even-collective system. The culturable waste needs a large capital investment which is beyond the means of poor cultivators as well as small zamindars. This land can be profitably cultivated only by mechanization which may be undertaken by the State through collective farms or by cooperative societies.

It is a statistical fact that for every great region of the earth income levels are higher where the proportions of the working population engaged in agriculture are lower. Prof. Louis H. Bean in his work, 'Industrialization, the Universal need for

Occupational Adjustment out of Agriculture, concludes that the low per capita income of China and India could be doubled if, with more efficient use of human and natural resources, only 15 percent of their working population were shifted from food production to other pursuits and that additional shifts of less than 10 per cent would treble income. The State should, therefore, find suitable occupations for the surplus population. Now that hydro-electric power is being developed all over the country it will be easier to establish cottage and small industries in the country side. To establish the cottage industries on a sound footing the State should arrange for power, design, raw materials, finance and marketing. Most of this work can be done by co-operative societies.

The Provincial Government has a number of nation-building departments. Each one has an inspector in every district and some of them have even district officers. There is a good deal of over-lapping in their work. For example, seed stores are being run both by the Department of agriculture as well as by the Co-operative Department. It is absolutely necessary that their activities should be co-ordinated in the District. These officers can conduct village surveys particularly in regard to vital statistics, land tenure, form of agriculture, subsidiary occupations, transport facilities, roads, drainage, hydro-electric power, irrigation facilities, cattle problem and numerous other problems which cannot be enumerated here. It should be the function of the Department of Statistics and Economics to compile these Statistics and present to the Government and the public in a readable form.

Village roads and village drainage should have

the first priority on State revenues. The strength of a chain depends upon the weakest link. Village roads are the weakest-link in our road system. Unless they are improved by the State and through co-operative effort agricultural produce cannot fetch a good price in normal times. The Government should set up model houses and model villages with efficient drainage and road systems. The services of the District Board Engineer must be made available to the village people. In every village common grazing land should be left for the village cattle. One comes across many a village where cattle cannot move out of houses, which is very injurious to their health.

Every village must have a village cooperative, a village Panchayat and a village school. Under the British system the whole administration was centralized. There is need now to reverse the gear. The village Panchayat should be fully representative of all interests. It should be in general charge of the village interests and activities. It should settle disputes, arrange discourses and religious functions of all communities, manage the village co-operative and village school. It can help in making and repairing village roads and drains. The village co-operative should be of the multi-purpose variety as advocated by Dr. Katju. It is difficult for the poor and illiterate peasant to show allegiance to a number of societies. The 'Linked System' of Madras whereby they have linked credit and marketing functions in one institution can serve our purpose very well. For special purposes, like consolidation of holdings or building of houses we may have special societies. The cultivator needs loans for short-term

as well as long term. Land Mortgage Banks should undertake finance of long-term needs of the cultivator. Lastly, the co operative institutions at the top should be linked to the Reserve Bank of India. This will considerably facilitate village finance.

It is a happy augury that our provincial Governments are alive to the necessity of primary education. The Hon'ble Minister of Education for U.P. has stressed this need so often. We highly appreciate the spirit. But may we point him out that while he is opening new schools, the buildings of old schools are falling to the ground for want of repairs. These schools, being managed by District Boards, are thoroughly neglected. The village teacher can play a very important role in our rural reconstruction. He can be the real guide, philosopher and friend. But being ill-paid he is always busy in supplementing his income by other means. Another difficulty is that the village is being constantly drained of its intelligensia and propertied classes. For example, the Zamindar wants to live in the town because he cannot get the amenities of life in the village. The moneyed man has lost his occupation in the village and he feels himself more secure in the town. The artisan class is very much in demand in the cities; and those of us who have received education never care to go back to the village. Who will then reconstruct the village? There is, therefore, need of a '*go back to the village*' movement and that can be possible only when we make the village worth living for our youngmen by proper planning and proper application of our resources.

RURAL UNEMPLOYMENT

AS ever India continues to be land of villages.

The proportion of rural population to total population is 87.2 p. c. as against 46 p. c. in Canada and 51 p. c. in France. Between 1881 and 1941 the rural population increased by 112 millions whereas the urban population gained only to the extent of 26.6 millions during the same period. This phenomenal increase in the rural population has completely upset the rural economy. The pressure on agriculture, the back-bone of India's national economy, has increased to an unbearable extent. While in other countries there has been a progressive transfer of working population from agriculture to industry and services, in India the movement has been just the reverse. Here there has been a progressive increase in the number of people dependent on agriculture. In 1891 the proportion of the population engaged in agriculture was 61.6 p. c. From this it jumped to 71 p. c. in 1911 and to 73 p. c. in 1931. It would be interesting to recall in this connection that the number of dependents on industry declined from 46 million in 1901 to 34 million in 1931. This appears to be the probable explanation of the present occupational trend in the country.

Along with this must also be mentioned another factor which is contributing to this state of affairs. That is India's rapidly increasing population. It is adding continually to the number of people who are forced to work on fragmented holdings and on inferior soils where their productivity is almost nil. Although land offers productive and remunerative employment only to a part of the

labour force, large numbers are tied to land, eking a precarious existence on sub-marginal lands because they have no other outlets. This is directly leading to low agricultural productivity and is the most serious bottleneck in the way of agricultural reconstruction. Besides, what is still more serious, it has given rise to a mass phenomenon of rural unemployment and under-employment which is acknowledged to be the most important of all rural economic problems.

So we find millions of people unemployed and underemployed in the rural areas. And even in case of those who manage anyhow to get some work on land, everything is not well with them. Particularly all of them have to remain idle for a period ranging from 2 to 5 months. This enforced idleness from the seasonal character of agriculture and the follows absence of rural industries which could keep the peasants occupied during the off-season. Thus the rural India exhibits almost every form of unemployment. As a result of this the income of the masses is exceedingly low. The per capita income of an average villager has been estimated by the National Planning Committee at Rs. 30 a year which is probably the lowest in the whole of the civilized world. With such a low income the villager finds it difficult to make the two ends meet. He fails to get even the bare necessities of life. As a result his productive capacity is steadily going down. Being himself so poor, he cannot attend to the needs of the soil. Hence the land also starves along with him. Both these kinds of poverty—poverty of the cultivator and poverty of the soil—are at present accumulating. This increasing poverty lies not only

at the root of agricultural stagnation, it is a serious obstacle to the growth of industries. It limits the purchasing power of the rural masses to the barest necessities of life and thereby greatly restricts the markets for industrial products.

This shows how vital and urgent it is to tackle the problem of rural unemployment. From every aspect—human, agricultural, industrial, etc.,—it needs immediate attention. Every scheme of reconstruction must be examined in the light of its contribution to the solution of this problem. Unless this is done it will be idle to expect improvements in any sector of our economy. It needs to be emphasized here that for the solution of this problem we must step up our economic structure to a higher level. At its existing level the Indian economic system is simply unable to provide employment for the millions of the country. So we must devise means for raising the structure of our economy with a view to reduce pressure on land, find employment for the people and thereby create the necessary conditions for a balanced economy. We consider below some of the measures which can help us to attain our objective.

1. *Extensive and Intensive Cultivation.*

The following table indicates the possibilities of extension of cultivation in India :—

| | | | |
|----------------------------------|------|-----|----------------|
| 1. Total Area | .... | 658 | million acres. |
| 2. Forests | .... | 87 | " " |
| 3. Net area sown | .... | 278 | " " |
| 4. Current fallows | ... | 60 | " " |
| 5. Cultivable waste | .... | 116 | " " |
| 6. Net available for cultivation | .... | 417 | " " |

The items (4) and (5) in the above table indicate the scope for further extension of cultivation. The area classified as cultivable waste is as high as 116 million acres. It comes to nearly one-fifth of the total area of the country. It is strange that in such a thickly populated country where the pressure on land has increased beyond the breaking point, so large an area, which is cultivable, has not yet been brought under the plough. Some doubt the quality of these lands. They think that since so far they have not been utilised inspite of pressing need for more land, they must be of very inferior quality. Unfortunately no thorough survey of land has yet been undertaken which could throw light on this issue. Even then there are no valid arguments to draw such a conclusion. The task of bringing these lands under the plough is beyond the strength of poverty-stricken, ignorant and unorganised individual cultivators. Generally these lands are not easily accessible ; they are exposed to wild animals, pests and diseases ; irrigation and drainage facilities are also wanting. To overcome these numerous handicaps vast sums of money will be needed. Individuals have neither the resources, nor the necessary capacity to bear the risks involved in it. State alone can undertake this task. In this field we have to learn a great deal from some European countries, notably Denmark, Finland, Belgium and Italy. Since 1926 over 56,000 hectares were retained in Belgium. In Italy within 10 years after 1928 more than 5 million hectares were reclaimed. Such conversions of marshes, swamps and heaths into cultivable areas has given employment to thousands of people in Europe. There is no reason why such a thing cannot be possible in our country where the problem of over-population is so acute.

Coming to the area under current fallows which comes to almost 60 million acres, India can ill-afford such a luxury. A part of the land, under the existing system is left idle regularly to give it rest. It is true that with every cropping, there is some loss of natural fertility in land. But the system of fallowing is a very crude and wasteful method for enabling the land to regain its lost fertility. The progress in agricultural science has clearly revealed the fact that fallowing is not necessary for efficient cultivation. This objective can be better attained through a suitable system of rotation of crops. It will not only lead to greater agricultural production but will also help in increasing the volume of employment for the rural population.

Intensive farming for which there is at present an almost unlimited field of improvement, can, however, have greater scope for employment. For instance, if two or more crops are grown on land which at present is cropped only once, it is obvious that employment will be substantially increased. Similarly the extension of irrigation facilities, greater care in the preparation of the soil, adoption of better methods of cultivation, and control of pests and diseases, would all involve an increase in agricultural employment. A similar result would also be obtained from an extension of the practice of mixed farming.

So what is needed today is that the State must come forward and undertake immediately land utilisation surveys. These surveys would throw valuable light on the possibilities of utilising the vast tracts of hitherto uncultivated land and would also indicate the ways and means for the maintenance of

the productive power of the soil. Although India is an agricultural country, par excellence, it is woefully lagging behind other countries in this respect. Progressive countries like U. S. A. and U. S. S. R. have already completed extensive soil surveys. Our neighbour China has also completed a land utilisation survey. The State should immediately plan for a comprehensive scientific survey of land.

The most effective remedy for the vital problem of unemployment lies in a well-planned and wisely executed programme of rural industrialisation. Although India is about to complete her first century of modern industrialisation it can be said without any fear of contradiction that her industrial structure is far from satisfactory. It is weak, lopsided and exceedingly vulnerable. The industrial development has not been commensurate with her resources or her requirements. And whatever development has taken place, it is all concentrated in a handful of cities, like Bombay, Calcutta, Ahmedabad and Kanpur. This is leading to grave hygienic, social and economic evils. The strategical dangers of such over-concentration are equally great. Besides these, it is widening the gulf between a few overgrown prosperous cities and millions of poverty-stricken, deficit villages. It is also responsible for bringing about a kind of divorce between agriculture and industry. At present there is no liaison between the two. Industry does not cater to the needs of agriculture nor does agriculture lend any support to the growth of industries. It is then no wonder that industrialisation in India has not succeeded in raising the standard of living of the starving millions. Instead, it has added

to their difficulties making their lot still miserable.

All this should go. We must decentralise our industries and spread them into rural areas. The dispersal of industries will restore the balance between agriculture and industry and bridge the yawning gulf between rural and urban areas. The present tendency of the world is also towards dispersion and decentralisation of industries. The development of electric power, bus, motor-truck, telegraph and telephone is giving a great fillip to the movement of 'rurbanisation.' Moreover, 'the Flying Fortress and the atom-bomb have sealed the fate of super-cities lying in the midst of vast stretches of rural areas.' The war has clearly demonstrated the advantages of industrial dispersion from the point of military strategy. The advanced countries of the world like U.S.S.R., England and America are, therefore, planning their industrial structure on this model

This tendency is very well suited to India which is well-known as a land of villages. Rural industrialisation will serve a double purpose. It shall provide work to the rural dwellers at their very doors, and at the same time will reduce the pressure on land, thus paving the way for agricultural reconstruction. While preparing the scheme for rural industrialisation care must be taken to give due place to cottage agro-industries. In a predominantly agricultural country like India small and medium scale industries have an extra special place. In India's economic life certain special characteristics are noteworthy viz., (i) relative abundance of labour as compared to capital, and (ii) a large volume of unemployed and underemployed persons.

So the type of industrialisation which can help us is one which would suit the above two characteristics. Cottage industrialism is such a type of industrialisation. It gives larger employment to labour per unit of capital. It is a labour absorbing and capital saving device. So our goal must be to multiply cottage industries in rural areas, if we are to solve the problem of rural employment and under-employment.

Emigration as a remedy for reducing population pressure has helped several European countries. It is estimated that 50 million of the inhabitants left their homelands for other continents between 1820 and 1920. Immigrants from Europe helped to swell the population of North America and British Dominions. In Asia the Chinese have emigrated in considerable numbers to such countries as Java and Malaya. Indians can also usefully emigrate to several countries. "Given free opportunities of emigration the Indian peasant with the traditional skill and method of rice culture may introduce a new era of prosperity into the Guianas, the low lands of Brazil, the Central American and West Indian region, the Guinea coast of Africa and the Zanzibar region, as his dry crops may prove a godsend to such sparsely peopled regions as Sudan, Nigeria, Mozambique, Madagaskar and North Australia." But so far emigration from India has been almost negligible in relation to the size of the population. Hardly $2\frac{1}{2}$ million Indians are living overseas, a number which is just half of the average annual increase. Under the rapidly changing political set up of the world, it is very difficult to foresee the scope of future emigration. But at present

the possibilities of emigration are steadily diminishing owing to unfavourable treatment accorded to Indians in the Dominions, U. S. A., Ceylon and other places.

Through planned internal immigration there can be some relief. There are extensive areas in the country which are underdeveloped and are, therefore, thinly populated. If State aid is forthcoming these areas can be opened up through the extension of irrigation facilities, tractor ploughing, anti-malarial measures, etc. The opening up of these areas will afford opportunities for the transfer of agriculturists from the densely populated regions to these new areas. To carry it out successfully a high level of cooperation among the different areas of the country is essential. Whether the present division of the country between Pakistan and India is going to help or hinder it, future alone will tell.

The village works of improvement can also make a contribution to the relief of under-employment. There are numerous public works which can be usefully undertaken. They will provide employment to the people and at the same time add greatly to the amenities of village life. The construction and repair of roads, public buildings, wells, tanks, etc., indicate the vast scope in this field. As a general rule these works should be carried out in the season when agricultural operations are not in progress. For the objective behind these public works is not only to improve the amenities of rural life but also to provide employment to the under-employed villagers. To ensure better results *pan-chayats* should be established to whom this work can be entrusted.

We have discussed above some of the possible measures for tackling the problem of rural unemployment and under-employment. It needs now to be pointed out that its solution is not to be found in any single measure but in a combination of the remedies outlined above.



COOPERATION IN INDIA.

✓ **COOPERATION** is a special mode of doing business.

It implies an association of individuals for the promotion of some common economic end by honest means. The basis of association is voluntary and democratic; voluntary, because only those, who feel the economic need at which it aims, enter in it; democratic, because those who associate together do so on terms of perfect equality. The democratic outlook of cooperative organisation is clearly reflected in the principle of 'one man one vote.' But what is still more significant is the fact that members join a cooperative society not as capitalists but as human beings. Cooperation is thus not a dividend-seeking company composed of strangers. It does not aim at enriching its votaries at the expense of others. Its object is to promote the economic welfare of the members through self-help and mutual help. It begins in mutual help and ends in common competence.

Cooperation, it must be remembered, is not a passing phase or a fad. It is a practical economic system of transacting business based on all that is good in human nature. Indeed it is a happy golden mean between capitalism and socialism. While preserving the instinct of self-interest, it organises on a higher plane the basis of collective effort. On the one hand it applies a great brake on all anti-social urges such as greed, selfishness, personal aggrandisement, and on the other, it avoids the tendency to drab uniformity, regimentation and

bureaucratization. This is the reason why the cooperative movement has spread far and wide and has assumed an international character.

For us in India cooperation has a special message. As we all know India is a land of small farmers and artisans. Most of them are steeped in great difficulties, chiefly due to their economic disabilities. Their extreme poverty and lack of organisation have made them helpless victims to a heartless exploitation at the hands of a few whom inheritance or luck has given a position of vantage. All this is the product of capitalistic conceptions and practices. Cooperation, as an alternative form of organisation, offers the most effective remedy for the ills of capitalism. The individual weakness of peasants and artisans will be overcome by the pooling of their resources, by making self-help effective through mutual aid, and by strengthening the bonds of moral solidarity between them. Even in towns cooperation has numerous beneficent applications in the form of housing facilities, supply of domestic requirements of good quality at fair prices, etc. In fact there is hardly any line of our common economic interests in which cooperative technique cannot come to our rescue. This being so it is necessary to take stock of the achievements and failures of the movement in India which is well over 40 years old with a view to lay down a more fruitful policy for the future.

Genesis of Cooperation.

In India cooperation was first introduced as a remedy for rural indebtedness, the real impulse towards cooperative method was given by Sir Frederic

Nicholson's famous report of 1895-97 Sir Nicholson was appointed by the Madras Government in 1892 to study the methods of land and agricultural banks which prevailed in Europe and to report how far they were suitable to Indian conditions. After an elaborate investigation he submitted a valuable report wherein he recommended the introduction of co-operative credit societies similar to those founded in Germany by Raiffeisen. The Madras Government reviewed the report but failed to take any action. At the instance of the Government of India, the report was however, circulated among the other provincial governments for consideration and action. Meanwhile experiments were made by various officials, including Sir E. Maclagan and Captain Crosthwaite in the Punjab, Mr. Dupernex in the United Provinces, and Mr. Lyon in Bengal. But the efforts were scattered and uncoordinated. The Famine Commission of 1901 gave a further stimulus to the idea of cooperation by strongly recommending the creation of the Raiffeisen type of banks. The same year, Lord Curzon, the Viceroy of India appointed a Committee under the chairmanship of Sir Edward Law to consider the entire question and make suitable proposals. This Committee recommended the introduction and promotion of co-operative credit societies, but it also indicated that no real advance was possible without legislation. Accordingly the co-operative credit societies Act came into being in 1904.

The Act of 1904.

The object of the Act was "to encourage thrift, self-help, and cooperation among agriculturists, artisans and persons of limited means." The Act provided for the formation of credit societies only.

This was done deliberately. One reason was that credit societies, because of their simple organisation could be easily learnt and organised. Further, as there was no popular demand and public enthusiasm had yet to be created, it was thought necessary to go slow. Among other factors which influenced in restricting the scope of the Act to credit only, were the importance of the problem of debt and the specially educative value of credit society which could have the way for other forms of cooperation. Societies were classified into 'rural' and 'urban', the distinction resting on the fact whether four-fifths of the members were agriculturists or non-agriculturists. Unlimited liability was the rule in rural societies; in the urban societies it was optional. Societies were subject to audit and inspection by officers appointed by the Government. To give a fillip to the movement the Government granted certain privileges to the societies registered under the Act, such as exemption from income tax, stamp duties and registration fees, free government audit, immunity from the attachment of the shares held by members for debts due to others.

Many credit societies sprang up and developed under this Act. By 1911 the number of societies jumped to 8177 with 4,03,318 members and a working capital of Rs. 3,35,74,162. But soon experience disclosed that the Act of 1904 was inadequate in certain respects and faulty in others. In the first place, it did not give legal protection to societies formed for purposes other than credit. Secondly it made no provision for federations of cooperative societies for such purposes as mutual supervision and financing. The classification of societies between

rural and urban was also found to be unscientific and inconvenient.

The Act of 1912,

In view of these defects the Government passed fresh legislation in 1912 which granted legal recognition to all types of cooperative societies and to different forms of central organisations. Societies were now classified according to the nature of their liability as 'limited' or 'unlimited'. The original principle that agricultural credit societies should, as a general rule, be unlimited liability societies was retained even under the new Act.

Under the impetus of the new Act many new types of societies were formed. The number of central societies also increased rapidly. Before fostering and supporting further growth of the movement the Government wanted to be sure that the movement was proceeding on sound lines. Accordingly in October 1914 the MacLagan Committee was appointed to examine whether the movement especially in its higher stages and in its financial aspect was progressing on sound lines and to suggest any measures of improvement which seemed to be necessary. The Report of the Committee, though sadly out of date, still continues to be the most reliable and standard work on cooperation in India. It made various recommendations of fundamental and far-reaching importance for the further improvement of the movement, especially in regard to its higher financial structure. As a result Provincial Banks were established in all Provinces.

Provincial Acts and Committees.

Under the Reforms Act of 1919 Cooperation

became a provincial transferred subject. Provinces were given option either to be governed by the Act of 1912 or to pass their own provincial enactments. Quite a good many of them found it necessary to re-examine the position of the cooperative movement in their respective regions. The Central Provinces appointed a committee for the purpose in 1922, Bihar instituted another in 1923, the United Provinces set up the Oakden Committee in 1925, Burma appointed the Calvert Committee in 1928, Madras constituted the Townsend Committee in 1928 and the Vijayraghavacharya Committee in 1939. The Royal Commission on Agriculture and the Central and Provincial Banking Enquiry Committees also made noteworthy contributions to cooperative thought and practice. As a result of these enquiries several provinces have passed their own cooperative societies Acts to meet their local problems. The lead was given by Bombay in 1925 and was followed up by Burma in 1927, Madras in 1932, Bihar and Orissa in 1935, Coorg in 1937, and Bengal in 1941. "Most of this legislation tended towards a tightening-up of control in the direction of summary recoveries of overdues, supersession of committees which mismanage societies, penalty for special offences, speedy liquidation proceedings, etc." The scope of the movement was also widened by omitting the words men 'of limited means' found in the Act of 1912, and by laying down the object of cooperative societies as "the promotion of thrift, self-help and mutual aid among agriculturists and other persons with common economic needs so as to bring about better living, better business, and better methods of production."

From 1919 till 1929 the movement continued to

make steady progress as revealed by the following statement :—

| <i>Average</i> | <i>Number of Societies in thousands</i> | <i>Number of Members in lakhs</i> | <i>Working Capital in crores of rupees</i> |
|----------------|---|-----------------------------------|--|
| 1920-25 | 58 | 21.5 | 36.3 |
| 1925-30 | 94 | 36.9 | 74.8 |

The movement, however, received a severe setback with the slump in agricultural prices during the great depression which began in 1929. Due to fall in prices, the burden of debt increased and the dues of cooperative societies became frozen. The working of the central financing institutions was also adversely affected. This crisis switched the attention of the Government towards consolidation, rectification and rehabilitation of the movement. A number of cooperative inquiries were conducted in different provinces and states to suggest ways and means of reconstructing the movement. All this led to an increase in official control over the movement.

War and its Effects.

The movement was seeking a new equilibrium and a basis for advancement when the second global war broke out in 1939. At the outset cooperative banks, along with joint stock banks, faced withdrawals of deposits, but soon confidence was restored. The rise in prices of agricultural produce that took place during the war eased a difficult situation for the movement. This enabled the members to some extent, to repay their debts to cooperative societies, leading to a slight improvement in the working of the cooperative movement. Again, the war gave a

great fillip to the growth of consumers' cooperative stores and marketing societies as a safeguard against profiteering and black-marketing. Assisted by grants from the Government of India a number of small industries, like woollen and cotton handloom-weaving, organised themselves on cooperative lines. As a result of these the movement maintained its steady growth even during the war period. By 1941 cooperative societies had reached the figure of 124 thousands. In 1943-44 the total went upto 155 thousands and it was well over 159 thousands in 1945-46. Membership, too, rose from 5.6 lakhs in 1941 to 8.3 lakhs in 1945.

Structure of the Movement.

Primary societies form the base of the structure of the cooperative movement. They are either agricultural or non-agricultural. Both the types comprise different classes, such as credit societies, irrigation societies, marketing societies, consolidation of holdings societies, etc. Agricultural societies, however, far out-number the non-agricultural societies. Among agricultural societies, credit societies greatly exceed the number of non-credit societies. No surprise need be felt at the predominance of the credit societies. The Indian cooperative movement is mainly the outcome of the search for a solution of the problem of agricultural indebtedness. So the character of the movement could not perhaps be otherwise.

The rural primary credit society is simple in structure. It is constituted on the model of the Raiffesen societies in Germany. It has a limited area of operation, usually a village, to ensure mutual knowledge and supervision on the part of members. The liability of the members is unlimited, *i. e.* the members are jointly and severally responsible for all

the debts contracted by the society. The funds of the society are composed of entrance fees, share capital, deposits and other borrowings from members and non members. The reserves built up by a society, for which there is a statutory obligation, also add to the funds. Loans are given only to members and that also mainly for useful purposes. Unproductive loans are discouraged by setting a limit in each case. The security for the loan is either personal surety or mortgage of immovable property. Repayment is allowed in easy instalments. The rate of interest on loans ranges from $6\frac{1}{2}$ per cent in Madras to $12\frac{1}{2}$ per cent in Bengal and Bihar. The functions of management are shared between the general body and the executive, which is elected by the general body.

Indian agriculture, which is the national industry of the country, cannot make any substantial progress until the crushing burden of the peasant's debt is reduced and facilities exist for providing adequate credit at reasonable rates to the cultivators. These are the tasks for the attainment of which agricultural credit societies have been set up. As such the fact that such societies are steadily multiplying is very encouraging. Apparently the number, of societies is quite imposing. But on closer examination, it will be found that many societies exist only on paper and have no real vitality. Some "flourish for a short time and then die an unnatural death" and among those which actually flourish the average standard of efficiency is very low. This is borne out by the fact that hardly 12 per cent of the societies are in A and B classes—a sad commentary on the achievements of a whole generation. Further, few

societies provide regularly the entire credit needs of their members. The *mahajan* therefore, continues to occupy a very important place in the sphere of rural finance. The element of thrift is also small. Societies rely too much for their finance on higher financing agencies. They have not yet succeeded in inspiring confidence among non-members so as to attract considerable deposits from them.

Besides credit societies, we have a number of non-credit societies organised for different purposes. Consumers' stores were the first non-credit societies to make their appearance in India. At the end of 1944 there were 3,539 such stores doing a total business of about 20 crores of rupees. Some progress has also been made in the field of cooperative marketing, especially in Bombay, Madras, and the United Provinces. A small number of societies have also sprung up for such purposes as cattle insurance, irrigation, consolidation of holdings, supply of manures and seeds, etc. The development of non-credit organisations is a welcome feature, but the progress has been none too uniform. The movement in its various facets is still in its infancy.

Central Banks.

Let us now consider the higher stages of the cooperative pyramid. The various cooperative committees, which have reviewed the working of the movement from time to time, have invariably emphasized the need for proper supervision, guidance and control of primary societies. Provision was made for the formation of such institutions in the Act of 1912. But uniform guidance is still lacking. Each province is tackling in its own way. The central cooperative banks form an important link in the financial

structure of the movement. These banks perform the double function of balancing the funds of affiliated societies and of supplying them with necessary capital. They adjust the surpluses and deficiencies of the working capital of the primary societies under their jurisdiction. Their area of operation varies widely from a tehsil in some provinces to a district in others. Central banks in Bombay, Madras and C. P. are big, operating over large areas, while in Bengal, Bihar, Orissa, U.P. and Punjab their activities are confined to smaller areas.

The working capital of central banks is derived from their own share capital and reserves, deposits from the public, and loans from provincial banks and other institutions. The working capital of the 589 central banks on June 30, 1943 was as follows:¹

| | | |
|-----------------------------|------|-----------------|
| Share Capital | .... | Rs. 2,70,19,000 |
| Reserve and other funds | .... | 4,67,23,000 |
| Deposits | .... | 21,70,30,000 |
| Loans from Provincial banks | .... | 3,10,90,000 |
| Loans from Government | ... | 66,19,000 |

Total Rs. 32,84,81,000

The net profits, after meeting costs of management, amounted to Rs. 45 lakhs. From the examination of relevant statistics it is found that many of these banks work on a very low scale of fluid resources. The figures of overdues and bad debts, are also considerable. But all the same, central banks are decidedly a factor to be reckoned in the Indian money market.

1. Sathianathan and Ryan—"Cooperation" page 12.

Provincial Banks.

The central banks in their turn are federated, in all the major provinces, into their apex organisations, called provincial cooperative banks. Their main functions are to coordinate the working of the central banks and mobilise their surplus funds, in fact, they serve as the financial nerve centre for cooperation in each province. In 1943 there were in all 10 provincial banks with a working capital of Rs. 17.48 crores. Of this Rs. 2 crores consisted of share capital, and the rest represented deposits and loans. The amount lent to cooperative institutions hardly amounted to a third of the total working capital. Many of the banks were faced with the problem of surplus funds. This also shows that considerable sums are available within the movement for financing schemes for further development of cooperation in the country.

The above federal structure of the movement is not, in reality, a very sound one. The different members treat themselves as autonomous bodies and resent any dictation from above, central banks have no effective control over primary societies affiliated to them. The same is true of the relationship between central and provincial banks. So they are not integral parts of a well knit organisation.

Estimate of Achievements.

A correct evaluation of the achievements of the cooperative movement in India is not an easy task. One view, which is widely shared, is that the movement has failed to produce the results originally expected of it. Although the movement is now more than four decades old, it has not yet succeeded in taking deep roots in the rural

soil where it is badly needed. Its contribution to rural reconstruction, which is our fundamental problem, is very small. Cooperation in India is essentially a credit movement. The non-credit activities of the movement are few and limited in scope. But even in its special field of credit only nominal work has been done. The volume of credit supplied by our cooperative organisations forms an insignificant part of the total requirement. In Madras, for example, the total requirements of the rural debtor are officially estimated at Rs. 70 crores, out of which cooperatives societies have provided barely Rs. 3 crores. In the Punjab the estimate is placed at approximately 3 to 4 per cent of the total indebtedness. To take another illustration, we find that in 1939-40 the amount lent to the cultivators amounted to Rs. 81 crores, which is not even half a per cent of the total agricultural indebtedness. The benefit of cooperative credit are confined to a very small number of villages. Large classes of cultivators are still outside the movement. Moreover, the credit provided by the cooperative organisation is too dear for the cultivators in several provinces. The rates of interest charged from the rural debtors range between 7 per cent and 15½ per cent, average rate coming to near about 10 per cent. Thus even as an agency for the supply of cheap credit the movement cannot boast of any great achievement.

In certain respects, however, the movement has achieved something. It has instilled a new spirit of hope, thrift and mutual help into the minds of its members. "It is difficult", remarks Mr. M. L. Darling at one stage, "to give conclusive evidence of the moral progress, as the signs of moral progress are

too illusive to be pinned down in a statement of facts but for all that, they are unmistakable to close observers of the movement. Litigation and extravagance, drunkenness and gambling are all at a discount in a good cooperative society and in their place will be found industry, self-reliance and straight dealing....." This also cannot be denied that in those areas where the credit movement is strongly established, the hold of the money lender has loosened and a fall in the general rate of interest has taken place. Consequently the benefits of cooperative movement are confined not only to its members, but have reached a much larger portion of the population. In short, while estimating the achievements of the cooperative movement we should also consider the qualitative aspect of the results produced and the benefits reaped by the outsiders who have not yet joined the movement. Looking at the movement from this angle, we cannot say that it is barren of valuable results.

But even admitting the above benefits, it will have to be conceded that the achievements of cooperation in India stand no comparison with those achieved in other countries like Denmark. The movement is proceeding at a snail's pace, and it has not succeeded in penetrating below the surface here and there. The reasons for this slow progress and limited achievement are not far to seek. In the first place, the mass illiteracy and ignorance in the country should be mentioned. This prevents people understanding the principles, object and character of cooperation without which there cannot be any real progress. In a vast majority of the societies the members treat the society as a "Government institu-

tion dispensing public money doles, blunting to the extent of fully deadening their sense of responsibility, and so it prevents the practising of cooperation, as it should be practised, to secure them its full benefit". Besides hopeless ignorance of the people, which is a great drag on the cooperative machine, there is a great dearth of efficient and trained cooperative leaders. In the absence of sound leadership and complete loyalty on the part of members, the fate of the movement can be well imagined. Further, the movement has been understood so far in a very narrow sense and has failed to deal with man as a whole in respect of all his requirements. Unless cooperation is extended to cover all the activities of the members, it cannot make any durable progress. In India cooperation is mostly confined to credit, 'But cooperative credit unless assisted by cooperation in other spheres cannot achieve much. Hence the slow progress of the movement.

Amongst other weaknesses may be mentioned the internal inefficiency and mismanagement of the society due to the neglect of sound business principles. No great pains are taken to enquire into the legitimate credit needs of the borrower, the economic effects of the loan, his capacity to pay, the sources of repayment, etc. Cases of the dispensing of short term loans for long term purposes, or of fictitious loans and repayments are not rare. In the collection of dues much leeway is shown, leading to great financial embarrassments. Local politics and faction have also a great hand in mismanagement. "Dissensions sap the very life and spirit out of a society and hasten its collapse as nothing else could ever do. A house divided against itself cannot stand

long; this is true of any society where dissensions prevail; and dissensions are a normal feature of our village life."

Another reason which is responsible for the very limited progress of the movement is that it lacks public support and goodwill. Since the movement was launched under state auspices and official control and even now retains its official character, it has not yet succeeded in evoking the ready response and services of the young and the ardent who look upon every movement started by the state with an eye of suspicion and distrust. The movement, as it is functioning today, is not a full-fledged popular and democratic institution; and these are the two pillars of success of cooperative organisations.

Finally, "whilst Government interference is not lacking, Government assistance on the scale on which it is needed to ensure the success of the movement is largely lacking." The various unnecessary, and perhaps vexatious controls and interference from the top have introduced great rigidity and inelasticity in the movement, as a result of which the progress has been halting and slow.

To sum up, the slow progress of the cooperative movement has been partly due to internal weakness and mismanagement, resulting from the neglect of sound business principles, inefficiency of the *panchayats*, small size of the primary society, defective structure and undue reliance on honorary services even for day to day work, and partly because of *laissez-faire* policy of the state, lack of cooperative education, and indifferent attitude of the public.

Lines of Reform.

The present period is distinguished by a new spirit of planning. The demand for a planned economic development of the resources of the country in order to raise the standard of living of the masses is gaining strength every day. The numerous plans for the economic development of the country which have been put forward in recent years are an unmistakable evidence of this new spirit. The final choice is yet to be made. But whichever plan be finally accepted, cooperation deserves to be given a vital place in that plan. For "cooperation is the most suitable medium for the democratisation of economic planning. It provides the local unit which can fulfil the dual function of educating public opinion in favour of a plan and of executing it." In fact, cooperation is the only possible way through which the conception of large scale economic planning can be reconciled to individual initiative and enterprise. As already remarked earlier, being a perfect mean between capitalism and socialism it can secure for us the advantages of both. In view of this, there is the urgent need to reorient and revitalise the movement to enable it to play that role which it can or should play in the economic life of the people.

First comes the reorganisation of the primary society. Our typical primary society is a small sized single-purpose society organised on the basis of unlimited liability. Small size is recommended on the ground that it enables the members to know each other fully and watch each other's transactions. Supervision also becomes easy. But due to the limited sphere of operation many small societies are found to be working on loss. They cannot afford to

employ paid service. As such they have to depend on honorary service, but securing honorary services is none too easy. It would, therefore, be much better and economical too, if small societies were grouped together into a larger society. The society thus organised should become a centre for the general economic development of its members. Instead of catering to one particular need of its members, it should arrange to meet all their needs. That is, it should be converted into a multipurpose society. This will secure the much-needed loyalty and sustained interest of the members.

There organised primary society needs to be put on a limited liability basis. The insistence on unlimited liability is leading to great hardships. Men with property and character hesitate to join such a society because of the great risks involved. Moreover when we want that a society should embrace in its sphere all the activities of its members, the necessity and desirability of organising the society on limited liability basis become still more great.

There is also the need for the diversification of the movement. At present most of the societies are purely credit societies. Their aim is to eliminate the middlemen and supply cheap and controlled credit to the members. But cheap credit by itself alone cannot cure the economic ailments even of the agricultural classes. To the full benefits of co-operation it is essential to eliminate the unnecessary middlemen from every sphere of human activity. This is possible only when the movement becomes many-sided, for rapid and durable progress the members of a society should be treated, not in parts or at different periods, but as a whole and simultaneously.

Another fruitful line of action that can be suggested is rectification and consolidation of societies. Concerted attempts should be made to strengthen and improve the working of the existing societies. This will, *inter alia*, include reduction of overdues and arranging for its repayments, separation of long-term loans from short-term loans, greater scrutiny of loans, efficient supervision and audit. But concentration on rectification should not be taken to mean a ban on further expansion. In fact, a wise policy of rectification should go hand in hand with a well-planned policy of expansion.

There is yet another thing which deserves careful consideration. That is the de-officialisation of the movement. Some, however, think otherwise. They recommend further officialisation of the movement which, in their opinion, is necessary for improving the tone of management of the societies. They give yet another plea. It is contended that since state assistance on large scale is needed for the rapid expansion and diversification of the movement, the Government should exercise greater and stricter control over cooperative institutions. But such a measure is bound to result in further weakening of the sense of responsibility. It will take away the autonomy and freedom of the movement without which there can be no real progress. "Forty years of the controlled regime of an essentially democratic and popular movement and the failure to achieve the economic regeneration of the masses to any appreciable extent", remarks H. L. Kaj, 'should be enough to suggest that the solution lay, not in the further tightening of the control, and in the appointment of more and more officials, but in the decontrolling of the movement so

that with the absence of unnecessary, and perhaps vexatious interference, a greater sense of responsibility would be evoked amongst the members, who by coordinated efforts and guidance from their own federations would secure better results". State assistance and supervision are necessary, but on this account perpetual tutelage cannot be justified.

Finally, and perhaps the most important thing to which we should divert our attention is to make the people conversant with the principles and practice of cooperation. For this a minimum standard of knowledge and education is indispensable. This is the foremost function of the State every where. With the ground thus prepared, organised attempts should be made to impart cooperative education. Instruction in principles and practice of cooperation should form an integral part of our educational syllabus. From the very early stages of a child's education provisions should be made for the imparting of cooperative knowledge. In the text books for primary and secondary schools simple lessons on cooperation can be usefully included. To supplement the theoretical knowledge small cooperative stores and canteens may be started in schools and colleges. This will enable the students to grasp the essence of cooperation. Similarly in the Universities also cooperation should be given a definite place by making it a special subject for degree courses in Arts, Commerce, and Agriculture. Besides the imparting of cooperative knowledge in various ways, arrangements for cooperative training and research need be made. Facilities for training do exist in some provinces like Bombay, U P., Bengal, C. P. and the Punjab, but they are neither uniform nor adequate. To remedy

this state of affairs it is essential to start a well-equipped Cooperative College in each province. The examinations conducted by it should be given definite recognition to ensure its success. The ultimate responsibility for the supervision and control of this College should be entrusted to the Provincial cooperative institute.

The need for cooperative research is equally great. Cooperative movement has spread far and wide. Different countries are making use of cooperative method in a variety of ways, suiting their special circumstances. It goes without saying that cooperative method will prove successful only when it has been fashioned according to the special conditions of that place. This is the secret of success of producers' societies in the Scandinavian countries, of cooperative dairies in Denmark, or that of fruit growers' societies in California. Which of these societies can be successful in the peculiar circumstances of our country? What scope do they have here? How can we refashion them to suit our needs? These are such questions the answers of which are very vital. But for that, considerable investigations and research work are necessary. This task cannot be undertaken by ordinary field workers. Nor can it be entrusted to the provincial Cooperative. Departments which are too much preoccupied with routine work. To avoid waste and duplication of efforts, the Cooperative Planning Committee has wisely recommended the creation of an All-India Cooperative Institute of Advanced Studies and Research. As the name suggests, the Institute will serve two purposes, viz., of providing facilities for advanced studies and of organising research.

In conclusion it may be added that the people and the State must have a living faith in the potentiality of cooperation as an instrument for the economic rehabilitation of the masses. If there is proper planning of the movement, it will prove of immense value to every section of the community.

AGRICULTURAL MARKETING

BEFORE the advent of Railways in 1850 Indian agriculture was on a subsistence level. It was the improvement of the transport system of the country that led to the commercialisation of our agriculture. The Indian producer began to meet the demand of the European market. The opening of the Suez Canal in 1869 considerably reduced the distance between the East and the West. In 1869 our exports were valued at Rs. 80 crores, but the average value of the annual exports for the three years ending 1926-27 exceeded Rs. 350 crores. By far the greater volume of the exports consisted of agricultural produce, the chief items being cotton, jute, oilseeds, cereals and tea. Agriculture being the principal economy of the country, the State also took some interest in its improvement. Irrigation system was developed in the Punjab and U. P. and later on in other provinces, scientific researches were carried on at Pusa and other places for improvement of seed, cooperative credit societies were organised for financing the cultivator, but no attention was paid to agricultural marketing until the Royal Commission on agriculture made a definite recommendation in this connection in 1928. The Central Banking Enquiry Committee and the Provincial Banking Enquiry Committees also stressed the need of better marketing of agricultural produce. It was in January 1935 that the Department was created with the appointment of marketing Advisor to the Government of India. Since then the organisation has spread to the provinces and Indian States, and some very useful surveys have been made by the Department.

Marketing Organisation of a society is closely linked with its economic organisation. For example, the marketing organisation under a controlled economy will be different from that under a free enterprise. Again, this organisation will be different in a rural economy than under an industrialised system. Marketing institutions have remarkably developed in the last one hundred years. The technique of production had developed marvellously by 1850, but because the supply could not outstrip the demand little attention was paid to publicity and salesmanship. But in the latter half of the last century western countries developed marketing institutions and the art of advertisement, and salesmanship became a desirable requisite for success in business. After the first World War (1914-18) international competition grew keener and keener which led to centralised selling with state encouragement. During and after the last War economic controls and rationing have become a common feature in most of the countries. Thus we observe that at present the State is playing a vital part in the marketing mechanism of the country. The Government has passed several acts to regulate market practices and arrest the cultivator to get a better price for his produce. In several provinces and states markets have been regulated under provincial or state legislation.

About ninety per cent of the Indian population live in small villages without adequate facilities of transport and banking. Naturally therefore our rural markets are organised in the form of small mandis, fairs, hats and penthis. In the rural areas bankers and pedlars are found exchanging cloth,

utensils, cheap ornaments and other wares for money or grain. Big villages and small towns observe one or two market days in the week. These markets, known as *hats* and *penth*s, are organised either by the landlord or the district board. The itinerant shop-keeper moves from one *hat* to another in a particular circle. The village people generally bring their produce to sell in the *mandi* and buy their requirements in the *penth* or *hat*. Higgling is a common feature of these markets. One does not know whether he is paying a correct price for the article he is purchasing because the articles are not standardised in most cases. It is, therefore, very seldom that a buyer will make his purchase at the first shop. He will visit several shops and bargain with a number of dealers before he is able to judge the correct price of the article he wants to buy.

✓ Fairs have been a common feature in India for centuries. A fair is generally held in a religious place or near a shrine at fixed intervals, e.g. the Kumbh at Allahabad and Hardwar or fairs on the banks of the river Ganges at so many places. But there are some fairs, like Jahazgarh (Punjab), Khagra (Bihar), Sonapur (Bihar), and Bateswar (U. P.). They owe their origin to purely economic considerations. There are over 1,700 livestock and produce fairs in India of which the largest number is in the United Provinces. Of late Swadeshi exhibitions are getting popular. Some of the Provincial and State Governments organise industrial exhibitions from time to time. The District Boards in several districts of west U. P. organise very successful exhibitions which attract a large number of shop-keepers from distant places. The *Nauchandi* fair at Meerut, held in the

month of March every year, is a good gathering of buyers, sellers and sight seers. At Garhmukteswar the cultivators are able to purchase carts and agricultural implements besides the livestock.

Next in importance for marketing of agricultural produce are secondary *mandis* spread over the face of the sub-continent of India. They have facilities of storage and transport and often big banks open their pay offices either permanently or in the season. These *mandis* attract sellers of produce from small distances—say upto 10 to 15 miles. Bullock carts, ponies, camels and thelas are the principal means of conveyance. Grain is stored in *khattis* or *kothas* and then moved to the principal *Mandis* like Hapur or Ghaziabad. They are, in a way, a link between the producers and the principal *mandis*. Principal *mandis* are the organized markets that deal in agricultural goods on a large scale. They have good facilities of storage, transport and banking. Marketing process is generally regulated by a Chamber of Commerce or any other similar association. Some of these *mandis* like Hapur, Ghaziabad, Lyalpur, Amritsar and Lahore can favourably compare with any produce exchange in the western countries. The marketing charges are reasonable, and owing to the presence of a large number of *pucca* *Arhityas* and agents of exporters and Indian mills the cultivator gets a square deal. These *mandis* are connected with terminal markets like Bombay and Calcutta, and also with foreign markets like New York and London. They get quotations of foreign and inland prices by telephone every hour.

The principal functionaries in these *mandis* are the *pucca arhitya*, *kuchcha arhitya*, *taula* or

weighman, dalal or agent, etc. The pucca arhitya is the stockist of agricultural produce on his own account or as agent for some body else. He is at the apex of the marketing machinery. As a rule, he is a substantial person who has his shops in a number of Mandis. He has banking connections. The kuchcha arhitya acts as a Commission agent for the seller. He provides facilities and conveniences to the beoparis who come from outside. He makes ready payment and settles account with the buyer.

One of the serious defects in the marketing of agricultural produce in India is the large chain of middlemen or intermediaries. It is estimated that roughly the producer gets 8 to 10 annas in the rupee of the price paid by the final consumer. He can get a better price if he sells his goods through a co-operative organisation. We have co-operative societies for sale of cotton in the province of Bombay, C.P. and Madras. In the United Provinces we have a large number of cane, milk, ghee and cereals societies. The province of Madras has developed the consumer's co-operation to a high degree. This movement has a bright future if it can be properly organised. It lacks vigour and inspiration at present. Even the officials of the Department have not imbibed the spirit of co-operation. Producer's co-operation should be linked with the consumer's co-operation.

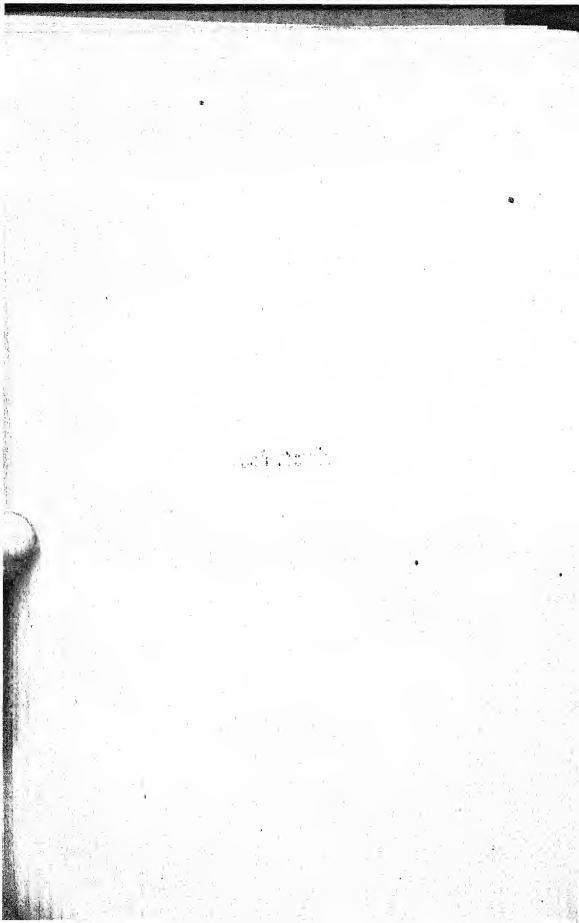
Regulated Markets are an exception rather than the rule in India. The first attempt at regulation of markets was made with the Berar Cotton and Grain Markets Act of 1897 to purge marketing of many of its abuses. Since then the provinces of Bombay, C.P. and Berar, Madras, the Punjab, N.W. F.P. and Sind have passed useful legislation in this

regard. Other provinces are likely to follow suit.

Variety of weights and measures, false weights excessive incidental charges, absence of grading and standardisation and mixing of inferior quality with the superior quality are some of the principal defects in agricultural marketing in India. They are receiving the attention of our Governments and it is hoped that in the near future these defects will be removed. The Government is spending a good deal on providing storage facilities for foodgrains. Co-operative societies are encouraged to construct cheap godowns and undertake grading and financing of the village produce. Improvement of roads is another problem that should receive the first priority of the state if it desires to develop agricultural markets. At present 50 to 60 per cent of the produce is moved to the mandis soon after it is ready. But if the means of transport be available all the year round and the cultivator gets storage and financing facilities he will not dump his goods in a weak market. These facilities will improve his staying power.



Industries.



STATE AND INDIAN INDUSTRIALISATION.

MODERN industrial development in India roughly dates from 1850. The cotton and jute mills, collieries, paper mills, etc., were started in the second half of the nineteenth century. Except in the case of cotton industry it was British capital and British enterprise. The development was very slow for these reasons and for the fact that the railway net had not spread in the country. The railway policy was to connect the ports with the hinterland to encourage the exports of raw materials and foodstuffs from and the imports of manufactured goods into the country. The Indian economy was made to dovetail into the British economy. The avowed policy of the East India Company before 1850 was to encourage plantations and it persisted even in the latter half of the 19th century.

The impact of the western institutions on the placid and easy going life of India was disastrous. The whole economy was thrown out of gear. We had neither the capital nor the technical skill and other equipment to adapt our economy to the changed order. We were dependent on the foreigner for our industrial development. The British policy of *Laissez faire* and free trade further discouraged our industrialisation. Although the needs of India and Great Britain were diametrically opposed to each other we were made to follow the same fiscal policy. The Factory Acts of 1881 and 1891 though very useful, had their origin partly in the humanitarian movement led by Lord Shaftsbury, but mainly in the jealousy of Lancashire interests. The Secretary of State was made to watch the financial interests of

the British Industrialists. This policy continued right upto the outbreak of World War I and even after.

In 1909 the Provincial Governments of U. P. and Madras showed some interest in the development of small industries. But Lord Morley, the then Secretary of State for India, at the instance of British capitalists in this country, threw cold douche on the enthusiasm of the Provincial governments which were made to pursue the policy of Laissez faire in absolute form. The War came. It opened the eyes of the authorities. They felt that the country could have helped more substantially if her resources had been allowed to develop. The industrial Commission was appointed in 1916 and the Munitions Board in 1917. Fiscal Autonomy was granted to India in 1921 and on the recommendation of the Fiscal Commission, India has followed the policy of Discriminating Protection since 1923. A number of industries, such as, Iron and Steel, Cotton, sugar, paper and pulp, match, etc., were given protection for limited periods after investigations by the Tariff Board. But the development was not substantial. It may look incredible to many but it is a fact that the consumption of iron and steel in India was 25 per cent less in 1935-39 to what it was in 1913-14. In the 17 years between 1897 and 1914, the number of factory workers increased from 4,21,000 to 9,51,000 or by 5,30,000. But in the 17 years between 1922 and 1939, the number increased by only 3,90,000—from 13,61,000 to 17,51,000. Thus the 'Economist' reporting on the progress of industrialisation in India at the end of 1936, stated that "The proportion of the population dependent upon

industry as a whole has tended to decline.' Although India has begun to modernise her industry it can hardly be said that she is as yet being industrialised.

The War (II) raised high hopes among Indians to industrialise the land and at one time India became the base for the 'defence of the Eastern Empire'. The Eastern Group Conference was convened at New Delhi in the autumn of 1940. India and Australia were chosen as the most suitable industrial bases. But alas! we are where we were. While Australia and Canada have made phenomenal progress during these five or six years we have lost ground. The production of steel declined from 1,201,000 tons steel for the best war year to 892,000 in 1946. These figures were revealed by Mr. J.R. D. Tata in his annual report of the Company in 1947. We have not been allowed to build up ships, aeroplanes and heavy machinery and chemicals. The basic weaknesses in our industrial system continue to be the same as they were in 1919.

Below is given the index of industrial activity in India. April 1935-March 1936 as 100, Compiled by Capital (Cap. April 12, 1944).

| | |
|---------|-------|
| 1938-39 | 111.1 |
| 39-40 | 114.0 |
| 40-41 | 117.3 |
| 41-42 | 122.7 |
| 42-43 | 108.8 |
| 43-44 | 109.4 |

The 'Capital', organ of the British financial interests in India, cannot err on the side of conservative estimates of our industrial activity. We have lost this opportunity too.

At present the country is facing the evil consequences of inflationary policy followed by the Government. A vicious circle of high wages and high prices has been created. One does not know where it may lead to. We are not getting enough machinery even for rehabilitation of our depreciated plants, to say nothing of augmenting the system. The hopes of increased production are, therefore, not materialising. In fact, the production of industrial goods has declined all-round. The new Government has, therefore, an uphill task to mobilize the resources and plan them for the best social ends.

There is hardly any difference of opinion as regards the ends. Every body wants a substantial improvement in the standard of living which can be secured by maximization of production and fairest distribution. Every economist pleads for full employment and nationalisation of public utility services and key industries. The Government of India in their statement on Industrial Policy in 1945 outlined the fundamental objects of industrialisation as follows :—

(i) To increase the national wealth by the maximum exploitation of the country's resources.

(ii) To make the country better prepared for defence.

(iii) To provide a high and stable level of employment.

The Government declared that the additional wealth created by industrial development should be distributed in a manner that may be regarded as socially equitable. Powers must be taken and consciously used to secure this purpose.

To achieve these ends the State must take active interest in the industrialisation of the country. It does not necessarily mean that the State should put an end to free enterprise. That is neither advisable nor feasible at the present movement. But we cannot shut our eyes to the fact that already the state is the biggest employer. Ordnance factories, public utilities and railways form a considerable proportion of the total industrial enterprise in the country. Further, the Government have decided that the bulk generation of electric power should, as far as possible, be a State concern. Basic industries, such as, aircraft, automobiles and tractors, chemicals and dyes, coal, iron and steel, prime movers, transport vehicles, electrical machinery and machine tools, etc. may as well be nationalised with advantage. In other fields the state should allow private enterprise to function but it must be properly regulated and controlled.

The Government should secure balanced investment in agriculture, industry and other social services. Where necessary it may finance certain enterprises with proper safeguards. It may secure a fair wage and decent conditions of work and living to the industrial worker. Through taxation and otherwise, it should prevent concentration of wealth in a few hands. Profit sharing and Co partnership schemes should be encouraged and Trade Unionism must be put on a sound footing. It must no more be a shuttlecock for political groups. The greatest defect in our labour movement as well as the Co-operative movement is that they depend for their leadership on outside agencies. We must train leaders from the ranks and not impose them from outside.

At present our industry is concentrated in a few cities, Bombay, Calcutta, Madras, Kanpore and Ahmedabad. It is not a healthy feature. The Government must aim at dispersion of the industry. Licenses for new factories and mills should be granted for places which have remained undeveloped so far simply because they could not catch the eye of the magician, i. e., the company promoter. Already there is a strong move for capital and enterprise to migrate to Indian States. Economic, social and strategic considerations demand that we should discourage further concentration of industry in already over-crowded cities.

We must be clear in our attitude towards foreign capital and enterprise. Placed as we are we cannot bring about a rapid industrial development of the country without cooperation from the industrially advanced countries of the world. There is a strong urge in China, India and other parts of Asia as well as in South-East Europe and Africa to industrialise their lands. The United States has put forward the Marshall Plan for the rehabilitation of Europe. She is taking a keen interest in the economic development of China and other south-eastern countries in the Pacific. What substantial help can she render to us in our mission is a debatable question. The United Kingdom is passing through an unprecedented crisis and we cannot expect very much help from that quarter too. We have, therefore, to look to other countries, like Canada, Sweden and Switzerland for machinery and know-how. This means hard currency. Under the terms of the latest agreement with Britain, India and Pakistan got only £35 million from the Sterling Balances upto 31st

December 1947, which was highly inadequate. We see little harm in foreign investments if they are kept under proper control. No foreign vested interests are to be created in future but foreign borrowing is simply indispensable if we are anxious to industrialise the country soon.

So far economic planning in India has been thought of for the whole country. The division of the country into two independent and sovereign states creates new economic problems. India imports raw jute, raw cotton and foodgrains from Pakistan and exports textile goods, sugar, cement, coal and iron, paper, match, etc., in exchange. Pakistan will naturally think of setting up her own mills to exploit her natural resources. She will seek assistance from U. K. and U. S. A. in this connection and for political reasons it is surmised that this help shall be readily forthcoming. It may mean creation of foreign vested interests if the Pakistan State is not quite vigilant. India has, therefore, to take account of this changed circumstance and adapt her economy accordingly. There is an urgent need of increased production in all sectors of our economy and this can be done only with a firm determination and universal cooperation. Our Prime Minister, Pandit Jawahar Lal Nehru laid the greatest stress on production while replying to a debate in the Indian Parliament on February 17, 1948. It is no time to quarrel over ideologies. The Congress is committed to the doctrine of socialism in the economic field. But there is no wisdom in the purchasing of existing concerns by the state. We have a good deal of virgin field which the State may exploit if it finds itself capable. The Government has already announced to nationalise

the Reserve Bank of India and the Imperial Bank after 30th September 1948. The Industrial Finance Cooperation and the Damodar Valley scheme, passed by the Indian Parliament indicate which way the wind is blowing. Most of the provinces have passed bills to abolish Zamindari rights. With all this we still believe there is enough field for the private enterprise. Our Governments are busy with more urgent problems. Pandit Jawahar Lal Nehru has assured us to announce the industrial policy of the Government at an early date. Meanwhile we should concentrate for production of goods and services

COTTAGE INDUSTRIES AND THEIR PROBLEMS.

[T is an essential part of any systematic discipline that the limits of the field which it sets out to cultivate should be clearly marked. Definition does this job. But necessary as definition is, it is by no means easy. It is particularly so in case of popular terms which, being in current use, have already acquired different shades of meaning. Cottage industry is also such a term. Everyone has some rough idea of the nature and concept of cottage industry, but when it comes to put it in precise words differences begin to arise. In general the term 'cottage industry' is used in contrast to factory industries. It stands for those industries where (a) power and machinery are not used, (b) the number of workers engaged does not exceed nine, and (c) the work is carried on mainly in artisans' own homes or small karkhanas with simple tools. This is at present the most generally accepted view. The Bombay Economic and Industrial Survey Committee also endorses this view. It defines cottage industries as "those industries where no power is used and the manufacture is carried on, generally speaking, in the home of the artisan himself and occasionally in small karkhanas where not more than 9 workers are employed."

We, however, think that the insistence on the absence of machine and power makes the concept unnecessarily narrow. It is perhaps this factor which makes many people doubt the place of cottage industries in the future economic order of the country. They begin to entertain the idea that the revival and

the development of cottage industries in the present age of science and machine will take back the country to medieval times. Such a fear is quite justifiable in the face of the above definition. Hence it appears that there is the need to modify our traditional approach. Consider for a moment that cheap hydro-electric power, for which there are immense possibilities in the country, becomes available in remote villages. Then the artisans will and should take advantage of the availability of cheap power at their very doors. As a result many of the industries which, truly speaking, should be called cottage industries will be excluded from this group because of the use of power. Naturally this will greatly narrow down the scope of cottage industries and undermine their significance. As a modification we may, therefore, suggest the amount of capital invested as the basis of our new approach to cottage industries. Elaborate inquiries should be made to estimate the normal capital requirements of cottage industries which should then form the basis of the definition irrespective of the fact whether power and machinery are used or not, provided of course that the number employed does not exceed nine.

II

The case for Cottage Industries.

Cottage industries played a very important role in the pre-British Indian economy. In fact they formed the backbone of economic life in the country. During that period India had attained a high degree of skill and perfection in the arts of manufacture. Her industries, which were purely of cottage type, were in a very flourishing stage, and her manufac-

tured goods were in great demand in different countries of the world. But then came the modern industrialism as a by-product of our political relationship with England. Under its weight India's old balanced economy completely broke down, leading to serious economic dislocations. In the economic chaos that followed, Indian cottage industries struggled hard to maintain their position. But the odds against them were too heavy. The break-up of the village self-sufficient economy, the invasion of cheap machine-made goods, the vicissitudes of tastes, the indifferent and apathetic attitude of the state, all combined together to crush the once prosperous cottage industries of India. Many of the cottage industries were strangled to death, many more were reduced to mere skeleton of bones. But one thing stands out prominent. Although many cottage industries fell victims to the 'direct action' launched against them, they did not completely succumb to the grievous injuries inflicted upon them. They refused to leave their homeland. Even today, inspite of so many odds and handicaps, they hold an important position in the national economy of the country. The number of workers engaged in them is five times the number engaged in large-scale industries. The reason for this is in the fact that cottage industries are the product of our peculiar economic background as well as of our social and ethical ideals.

Now the question is: what should be the place of cottage industries in the future economic structure of the country? One thing is quite definite. We cannot march back and restore the old equilibrium. The old pattern will not solve our problems, many of which have sprang up in

recent times. We have to step up our economy to a higher level and plan for a new position of equilibrium. As such it is necessary to think seriously about the role of cottage industries in our economic system. This is particularly urgent because we are moving toward planned economy. Of late we find a tendency in some quarters to undermine the importance of cottage industries unduly. An attempt is made here to show the significant place of cottage industries and the extent of their contribution in solving many of the complicated problems which demand our immediate and urgent attention.

Unemployment.

Although we do not have adequate and reliable statistics showing the extent of unemployment and underemployment in India, it cannot be doubted that unemployment is by far the most important problem facing the country today. The 1931 Census shows that at least two crores of people are totally unemployed besides millions of underemployed villagers who are either landless or possess uneconomic holdings. This is really one of the major causes of the appalling poverty of our people. Without providing employment to the working part of the population, the establishment of a decent standard of living would remain merely a pious hope. Thus if we are serious in raising the standard of life of the masses, we must destroy the 'giant idleness' and adopt a policy of full employment. Let us see to what extent cottage industries will assist us in this all-important task. We begin with seasonal unemployment.

In spite of some progress made in the field of industrialisation, India still remains an agricultural country, *par excellence*. Nearly three-fourths of the people of India are dependent on agriculture which is a seasonal industry. Consequently the agriculturist and the agricultural labourer are generally without work for periods extending from 3 to 6 months in the year. This unemployment occurs at intervals and is of seasonal character. It has been estimated that more than 40 per. cent of India's occupied persons are seasonally unemployed. The presence of such a high amount of seasonal unemployment in the country is a very serious thing. It not only unduly depresses the standard of living but also intensifies the present deadlock between agriculture and industry. The provision of work during the periods of seasonal unemployment is, therefore, of paramount importance. But what is the most effective way of dealing with this problem? For the successful tackling of this problem it is necessary that the work provided to the seasonally unemployed must be such which can be easily learnt and operated. At the same time it must not interfere with the main work. This condition can be fully satisfied only when the nature of the subsidiary job is such that it can be given up without any adverse effect on the main work. All these qualities are well possessed by cottage industries. They will give employment at the very doors of the cultivator without disturbing their main occupation. Hence the best way of dealing with the question of seasonal unemployment is to provide work through the development of selected cottage industries. This will not only give the much-needed employment during the off-season, but will also serve as a

second string to the bow because agriculture is a very uncertain industry. The increase in the purchasing power of the cultivators and agricultural labourers will have very favourable effects on the agricultural and industrial development of the country.

Next we come to total unemployment. Though the horrors of mass unemployment witnessed during the Great Depression of the thirties have somewhat gone out of public memory, there are still millions of able-bodied and willing persons who are without work to the country. Moreover, the immediate problems of demobilisation and the fear of another depression are again bringing the question of unemployment to the fore front. We should, therefore, face this problem in real earnest and plan for a high and stable level of employment in the country. It is widely held that through the process of large scale industrialisation we shall succeed in solving this problem. This view is further strengthened because of the great achievements of factory industrialism in some of the Western countries. But so far this remains a pious hope in the country. The achievements of factory industries from the point of view of providing employment have been utterly disappointing. Hardly $2\frac{1}{2}$ million workers are engaged in large scale industries. This figure really becomes insignificant when we remember that India's population is growing roughly at the rate of 5 million a year. From the study of relevant statistics we find that during the last 30 years, there has been a fourfold increase in the number of factories in India, the percentage of worker in industry to total population has been steadily decreasing as revealed by the

following table :—

| <i>Year</i> | <i>Percentage</i> |
|-------------|-------------------|
| 1911 | 5.5 |
| 1921 | 4.9 |
| 1931 | 4.3 |
| 1941 | 4.2 |

This is partly because of the slow, top-sided and exotic growth of industrialisation and partly because of the peculiar labour capital ratio in the country. It is true that the per-capita output in factory industries is comparatively very high, but it does not mean that the use of the most advanced technology or top-heavy methods of production will invariably give the optimum results. For it all depends on the ratio of labour and capital in a country which is but the same everywhere. To obtain the best results we have to decide what alternative methods of production to follow at any given stage. We can combine more of labour with more of capital. A wrong or hasty decision with regard to this will cause great hardship and wastage. Given the time-preference the amount of capital available at any time is limited. If we employ "too advanced technology in one sector of the economy it will use too much capital and too little labour in that sector, while there will be left over too little capital for other sectors and a large army of unemployed labour." This will mean an uneconomic application of scarce means to alternative ends. In India there is paucity of capital and abundance of labour. Under such circumstances the optimum can be better achieved by making use of less capitalistic methods of production, using the phrase 'capitalistic' in the sense of involving the use of capital. In Europe

and America mechanisation was a necessity because those countries had abundant capital but suffered from the shortage of labour. But such is not the problem before us. What we need today is not labour saving but labour-absorbing devices. It is a simple fact that large-scale factory industries are a great labour-saving device, whereas in cottage industries the proportion of labour to capital is very high. Hence cottage industries are particularly suitable for India. With their help we can hope to provide employment to those who are being crushed under the heavy weight of forced idleness.

Problem of Distribution.

Apart from the problem of unemployment cottage industrialism has a strong case from the viewpoint of equitable distribution. Today as a result of modern large scale industrialism a great socio-economic evil has been brought into existence—concentration of national wealth in the hands of a few persons. The grinding poverty of the masses and the super-abundant wealth of some in the present day society is a hard fact. 'In 1931-32 one half of the total urban income was in the hands of less than 10 per cent of urban workers and even among the comparatively well-to-do class, whose annual incomes exceed Rs. 2,000 a year, 38 per cent of their number could claim only 17 per cent of their total income, while a little more than 1 per cent were in possession of as much as 10 per cent of their total income.' This shows how the great majority of toilers have derived no proportionate advantage from the prosperity which they themselves have created. This gross mal-distribution of national income is a grave danger signal; it is leading to

great social cleavages, discontent and disharmony. At the same time it is retarding the development of our economic resources. The needs of the vast majority of the population fail to exercise any influence on the volume of production. The result is under-production, leading to a further reduction in the income of the masses, which in its turn, leads to still greater under-production. Besides these defects, inequitable distribution is pregnant with dangers to the State as well. Prof. Abbot ably remarks that the community where such a state of affairs exists is perilously near a political oligarchy. And out of this grows the political corruption which is the worst foe and the greatest peril of the nation. Therefore further step towards such an industrialisation will only serve to intensify the evil and widen the gulf between the 'haves' and the 'haves not.' Although certain remedies have been suggested to tackle the problem of gross inequalities, resulting from the spread of modern industrialism, one is tempted to ask: is prevention not better than cure? In cottage industries there is less scope for exploitation, fraud and speculation. Thus the development of cottage industries will by itself promote equitable distribution of wealth and thereby avoid labour unrest which is an indispensable condition for stable peace and progress.

Regional Distribution of Productive Capacity.

At present there is a great uneven distribution of industrial activity in the different regions of India. Whatever industrial development has taken place in the country, it is all concentrated in a few cities, like Bombay, Calcutta, Kanpur, etc. The rest of the country, particularly the rural areas—the home of

India—, have been utterly neglected, rendering them merely as 'hewers of wood and drawers of water.' Such disparities in the wealth-producing capacity of the different regions give rise to many serious social economic and strategical dangers. For example, the industrial concentration in big cities has resulted in awful housing conditions. Of the total population of Bombay 74 per cent live in one-room tenements, and in some areas of Bombay there is an incredible average of 15 persons to a room. The other big cities of India also exhibit similar awful conditions. The evil effects of such excessive congestion on the health and character of the nation can be easily imagined. If an estimate could be made of the total cost to society resulting from the damage to public health and loss of efficiency caused by overcrowding, smoke and noise, it would certainly run into crores of rupees per year. Besides this, the centralised industries provide an easy target for air-bombing by an enemy power as a result of which the entire national life, can be paralysed in no time. Consequently most of the industrially advanced countries of the world are now planning for a fair regional distribution of industries with a view to strengthen their defensive capacity on the economic point. In England the question of regional distribution of industries has been examined by a Royal Commission. They state that the "disadvantages in many, if not in most of the great industrial concentrations, alike on the strategical, the social and the economic side do constitute serious handicaps and even in some respects dangers to the national life and development." They, therefore, emphasize the need for balanced regional development and recommend to the Government to take definite steps in that direction. In Soviet Russia regional

planning has been carried out with great success. There the distinction between backward villages and congested industrial centres has been almost obliterated.

Since India is yet to plan for the future, she must provide for the regionalisation and dispersal of industries, and thereby avoid the mistake of other countries. This will "remove the present contrast between a few great cities of wealth and surplus and thousands of poverty-stricken, deficit villages. At the same time it will also arrest the growing tendency of dissatisfaction and antagonism between the different regions which is inimical to national unity and progress. Here again we will find that cottage industries would be the most ideal instrument for carrying out the work of decentralisation and 'rururbanisation.'

Ethical Justification.

The case for cottage industries in ethical grounds is particularly strong. As a counter to the modern trend of materialism cottage industries provide a very wonderful contribution. Machinery, the key-stone of modern large scale industrialism has enslaved man, destroyed human skill and individuality. By invading the privacy of home it has disturbed the morals of the family. It has destroyed the independence of the craftsmen. It compels the adoption of the workman to his work rather than the adoption of work to the worker. "It has annihilated time and distance and has brought nearer the countries of the world, but thrown apart the nations one from the other. It has brought together the bodies but rent asunder the hearts and souls of the people. Worst of all it has narrowed down the vision of Christianity and made it a handmaid of imperialism." The overpowering

mastery of the machine age has promoted greatly the spirit of individualism, tending to make rich richer and poor poorer. The competitive ideal has usurped the place of corporate spirit. The state of perpetual war between nations, a glaring feature of modern life, may also be attributed to it.

Unlike cottage industrialism provides ample opportunities for self-expression and initiative. It tends to develop those qualities in the people which are of vital importance for healthy national development. Raw materials are fashioned in the homes and the very fact of creation stirs the soul of man. Culture and refinement come to the artisan through his work amidst his kith and kin. The work being carried on in the workers' own home assisted by the members of the family, there will perhaps develop the feelings of mutual trust and confidence, love and affection, duty and reverence. Such a cooperation will not only lead to economy and render labour sweet but will develop the spirit of sacrifice and devotion. In brief, it will lay the foundation of a normal and happy family life. Cottage industries guarantee that happiness which is the result of full exercise of a many-sided human life, not based on exploitation or misery of others. "With such a change in outlook and constant association with the creation of things of use and beauty, a sense of spiritual gratitude cannot fail to revive. Might not this progress provide conflicting India with comforts and peace we all so much desire."

Trend in Foreign Countries.

Let us also note the present tendencies in industrially advanced countries. In France about

99% of the industrial establishments employ less than 100 workers each and of these again the great majority employ less than 50 workers each. In pre-war Germany, one of the most industrialised countries of the world, more than 15 p. c. of the total population were dependent on cottage industries. It is said that Hitler had to introduce several cottage industries with a view to providing full employment to the German nation. In China cottage industrialism has been a great success. The Industrial Co-operatives, which run industries on cottage lines, are now Chinese glory and wealth. The number of such cooperatives is well over 10,000. They have not only served the country as impregnable lines of defence against foreign aggression, but have sustained the Chinese nation when the entire economic structure was bombed to pieces. In this connection Mr. Nym Wales observes that, "It is the carefully considered opinion of Chinese industrial experts and a number of American and British observers that the Industrial Cooperatives can provide not only the best, but the most feasible form of industry for China in the future as at present". The case of Japan is still more important. More than 40 per cent of the industries of Japan are of cottage type. They produce not only consumption goods but also machines. Only 34 per cent of the machines are manufactured in large factories; the rest are produced in small scale and cottage industries. But, as Professor Allen remarks, "the predominance of the small technical unit in many of Japan's industries is not an indication of the economic weakness of the country, but that it represents an appropriate adaptation of industrial methods to the economic conditions existing there.....In that country capital is relatively scarce and dear, while industrial labour relatively

plentiful and cheap." The Five Year Plans of Soviet Russia have also given a significant place to cottage industries. The 'owner-producer's cooperatives' in Soviet Russia, popularly known as the 'Incops' are making remarkable progress. Even in England and America great interest is being taken in the movement of decentralisation.

Thus the general trend in most of the countries of the world is towards decentralisation when other countries which are far ahead us in the race of industrialisation are now trying to cure the evils of factory industrialism by supplanting it with a proper and healthy development of cottage industries. India will be well advised to take a lesson from it, particularly because our economic and social backgrounds are so well-suited to such a course of economic development. Industrialisation is not bad. It is in fact indispensable for national well-being and progress provided we include in its scope both the factory and cottage industry in proper proportions. Otherwise it would simply be a top-sided development, vulnerable at vital points.

In the light of the above arguments no one can seriously dispute the extra-special place of cottage industries in our national economy. India's social, economic and geographical conditions are such that cottage industries are bound to occupy a very important place in any scheme of economic planning. The Bombay Planners have also recognised the importance of cottage industrialism in Indian national economy. They say that, "It is an essential part of our Plan for the re-organization of industries that adequate scope should be provided for small-scale and cottage industries along with large-

scale industries. This is important, not merely as a means of affording employment, but also of reducing the need for capital, particularly of external capital in the early stages of the Plan."

III

Difficulties of Cottage Industries.

Although cottage industries are destined to play an important role in India's planned economy and even today constitute a vital sector of our economic structure as is evident from the fact that 85 per cent of the industrial workers are employed in them, their present position is far from satisfactory. The cottage artisan is struggling hard against numerous difficulties and handicaps, some of which are really too powerful for him. To mention some of them, he experiences great difficulty in obtaining suitable type of raw materials at reasonable price. The agents of large-scale industries because of huge resources at their disposal and the advantage of bulk purchases, are able to take away the best-quality raw materials. The poor artisan who is no match for them has to content himself with an irregular supply of raw materials of poor quality; and even for that he has to pay comparatively higher prices. This raises the cost of manufacture unduly and reduces the quality of the final product. It is then no wonder that the artisan finds his competitive power in the market greatly curtailed.

Science has made phenomenal progress in the modern era, as a result of which great improvements have been effected in the instruments and processes of manufacture in factory industries. But so far

the progress of science has not affected our cottage industries. The cottage workers are too poor to maintain research laboratories or seek the help of great scientists in conducting researches on their behalf. And whatever work is being done by the few research institutes Government or private, which have been established in the country, it caters mainly to the needs of large-scale centralised industries. So it appears that conducting researches for cottage industries is at present no body's concern. The result is that ignorant artisans are still carrying on manufacture on traditional lines with inefficient and out-of-date tools. Due to crude methods of production, the output is low and finish poor. This is adversely affecting the already depressed economic condition of the artisans.

Then comes the great difficulty of finance. It is a common place in Economics that a sound system of finance is indispensable for the successful undertaking of any business activity. But what we find in case of our cottage industries is that there are practically no arrangements for obtaining the necessary financial accommodation. Banks do not deal with them. So is the attitude of the money-lenders who specialise in financing agriculture. The work of the cooperative credit societies is also confined mainly to agriculture. So there is almost a complete financial starvation on the part of the artisans. Many of them have thus been compelled to give up their traditional occupations and thereby swell the ranks of unemployed and landless agricultural labourers. The local dealers of raw materials and karkhanedars, no doubt, grant loans to the cottage workers but that is inadequate; and even for that

they have to pay dearly. Moreover that is a great hindrance in the way of orderly marketing. In most cases the terms of the loans require the mortgaging of finished goods with the dealers.

Still another difficulty is that of proper marketing. As already referred to, there are many causes which are responsible for low output and even whatever little is produced, the cottage artisan fails to realise a fair price for it. This is partly because there is no contact between the producer and the consumer, and partly because the designs are out-of-date and general finish is poor and unattractive. Not infrequently the goods are already mortgaged with the dealer of the raw material who usually deals in finished goods as well. Since the artisan is dependent on the dealer for the supply of raw materials and credit for his maintenance, he cannot afford to displease him. He has, therefore, to accept whatever the dealer wishes to pay. In case the future labour is not mortgaged beforehand, he sells his goods direct to the consumers on market days. But here too his lot is in no way better. Being without resources he goes to market predetermined to sell his commodity. He knows very well the consequences of returning home with unsold goods. Therefore sell he must, and sell he does but generally at very unremunerative prices. If he happens to get a casual customer he must thank his stars; otherwise he has to dispose of the commodity ultimately when the trend of the market is downward. This is naturally so because he has no resources to wait or bargain for higher prices. Thus whether he sells his wares directly or through the dealer, he is unable to get a fair return for his labour. The

worker, therefore, loses interest and pride in his work. Workmanship gives place to speed. The worker tries to retaliate by lowering the quality of the produce, believing in the maxim '*Jaisa paisa waisa kam.*' This affects the sales all the more adversely, leading to further deterioration of quality and loss of morals.

Besides these, cottage industries are subject to heavy burden of local taxation, the justice of which has been questioned by several authorities. The artisans have to pay numerous duties at different stages as a result of which their low income is reduced still further.

Thus we find that at present there is no proper organisation either of production or of marketing. Nor is there any suitable coordination between the two. Due to lack of organisation of production, quality is inferior, finish is poor and the designs get out-of-date and become stereotyped. Absence of organised marketing limits market and leads to irregular sales and low prices. And finally because of lack of coordination between production and marketing, sometimes unwanted goods are manufactured and at times there is great under or over-production of goods. Neither the worker, nor the dealer cares to study the demand and regulate production accordingly. This mal-adjustment between supply and demand creates uncertainty and thereby does great harm.

Suggestions for Improvement.

Such is, in brief, the deplorable condition of our cottage industries. If we really want that they should play their due part in our national economy we must revitalise and reconstruct them on healthy

lines. The first thing that needs to be done immediately is that a detailed plan for the development of cottage industries should be prepared. The task of planning cottage industries is indeed beset with numerous difficulties which necessitate most careful handling. They are scattered over so vast an area and vary so greatly in their characteristic features from region to region that it is impracticable to adopt a uniform All-India plan. Planning will necessarily have to be on regional basis. Each region should appoint a special committee to undertake comprehensive survey of the existing cottage industries and their future potentialities. The Committee should point out the difficulties and suggest ways and means of improving them. It should also explore the possibilities of establishing new industries along with the places where they can be most suitably located. To this we attach great importance. So far our approach to this problem has been very narrow. We find that whenever there is any talk of developing cottage industries in the country, people immediately begin to dig the past and search measures which can bring the dead industries to life once again. It is very seldom that we think of new industries which can be successfully established in the country. This is a great mistake. We must remember that our problem is not only to bring the dead to life or strengthen the vitality of the existing industries, but also to arrange for the conception of new ones. Here we have to learn a good deal from other countries, notably from Japan and China. By way of illustration we may mention some of the new industries which can be successfully developed on cottage lines—torch bulbs, die printing, buttons, pencils, clock-work, toys, spectacle frames, etc.

One thing more with regard to the preparation of the plan for cottage industries. At present we find a great amount of unnecessary conflict and competition between cottage and factory industries. It must be avoided. As far as possible the spheres of operation should be clearly demarcated with a view to eliminate undue over-lapping. To ensure better results there should be a flexible adaptation and integration of cottage industries to the structure of large scale industries so that the latter may aid, instead of weeding out, the former. It is only such a planned industrialisation which can promise quickest increase of our national income.

Besides the task of preparing suitable and integrated regional plans for the development of cottage industries, there are certain other lines of reform which can be safely recommended. For example, the establishment of industrial cooperatives on the lines of Chinese 'Indusco' will remedy most of the ills of our cottage industries. But under the existing circumstances it is too much to expect that the artisans will take up the work of organising themselves on cooperative lines. The state must take the initiative in its own hands. It must give every facility to the artisans for the formation of cooperative credit, marketing and such other types of societies considered necessary for the revivification of cottage industries. With the aid of such societies many of the handicaps which the artisans have to face today while purchasing raw materials, obtaining credit or selling his goods will soon disappear.

There is still another thing which is urgently called for today and here again much of the responsibility rests with the Government. This relates to

imparting suitable technical education and setting up research establishments for the purpose of expanding the scope and improving the mechanical efficiency of cottage industries. The improved appliances and methods of manufacture should be demonstrated in the very homes of the artisans so that they may be convinced of their practicability and success. Arrangements should be made to supply such instruments to the artisans at concessional rates or on hire-purchase basis. At the same time it is necessary that a party of trained technicians should go round the villages at regular intervals to acquaint the artisans with the latest researches and remove their difficulties in the way of using new appliances and processes of manufacture. Provision should also be made for repairing facilities.

It has been pointed out earlier that deterioration in quality is one of the main curses of cottage industries. Deliberate attempts are being made to produce things at the cheapest possible price without due regard to quality. Workmanship is yielding place to speed. This is a great danger signal. It has not only resulted in the shrinkage of markets, but has also given rise to business dishonesty. Trade morals are fast losing ground. For instance, it is very common that some Aligarh locks are shown to be of 6 or 8 levers, though actually they are of much lower grade. Similar is the case with Moradabad wares, Benares brocades and other famous cottage products. If we want the cottage industries to multiply and march ahead, this tendency must be arrested. The cottage worker must be taught to work upto specifications. The State can greatly help him in raising his credit in the market by evolving

a mechanism for placing "Government Quality Seal" on cottage goods. The Government seal will be a guarantee of quality. The marking in the first instance should be done free. Later on if the goods bearing the mark begin to sell at a premium in the market, a fee calculated to cover up the cost of service may be levied. The success of this scheme will ultimately depend upon the nature of the organisation evolved, the type of persons appointed as inspectors and the cooperation of the artisans and the general public.

Lack of proper finish is another serious drawback of our cottage industries. This handicap cannot be removed by individual artisans. They have neither the resources, nor the knowledge to impart proper finish to their wares. This work can be better done by small factories set up on cooperative basis. Here again the state must come forward and take the initiative.

COITON TEXTILE INDUSTRY

THE Cotton Textile Industry is the most important industry of India from every point of view. At present we have 421 mills with 10,305,000 spindles and 203,000 looms. It gives employment to more than five lacs of people and has a paid-up capital of more than Rs. 56 crores. The consumption of cotton in bales increased from a little over 38 lacs in 1939 to a little over 49 lacs in 1945 but since then it has declined. There has been no appreciable increase either in spindleage or in loom-age in the War years and after.

When the war broke out in 1939, our mills were over-stocked with cloth. In fact, they had hardly emerged out of the depression. In 1936-37 the country witnessed a short boom, therefore, the stock position at the outbreak of the war was quite favourable. We were self-sufficient to the extent of about 90% of our requirements in cloth. For about two years the country did not experience any marked shortage. There was some rise in the price of cloth, but it was by no means appreciable, much less alarming. The position deteriorated in 1942, and by the middle of 1943 the situation grew worse. The Government felt genuine difficulty in making purchases for the Defence Department. The old Tender system having failed, direct negotiations were carried on with the mill-owners in Bombay, where the Textile Directorate was established by Sir H. P. Modi. The Government passed the Cloth and Yarn Control Order in 1943, and by a process of trial and error it acquired some grip over the situation. The follow-

ing table will clearly show the statistical position of our supplies in the last few years:—

(In Million Yards)

| Year | Mill Production | Imports | Handloom Production | Govt. Purchases | Exports | Balance Available |
|----------|--------------------|---------|------------------------|--------------------|---------|----------------------|
| 11938-39 | 4,269 | 647 | 1,920 | ... | 177 | 6,659 |
| 1939-40 | 4,013 | 579 | 1,820 | 300 | 221 | 5,891 |
| 1940-41 | 4,270 | 447 | 1,650 | 600 | 390 | 5,377 |
| 1941-42 | 4,494 | 181 | 1,500 | 1,000 | 772 | 4,403 |
| 1942-43 | 4,109 | 13 | 1,400 | 1,200 | 820 | 3,502 |
| 1943-44 | 4,871 | 3 | 1,500 | 1,000 | 461 | 4,913 |
| 1944-45 | 4,725 | 5 | 1,500 | ... | 423 | 5,803 |
| 1945-46 | 4,676 | 3 | 1,360 | ... | 441 | 5,598 |
| 1946-47 | 3,863 | ... | 1,400 | ... | ... | ... |

On a careful perusal one can discern that while the mill-production has not appreciably increased the imports have dwindled to nothing and the exports and Government purchases have taken away a very big slice of our supplies leaving hardly 10 to 12 yards per head for the civil population as against over 16 yards in 1939. The handloom is not contributing its full quota because it is not getting mill-yarn in adequate quantities. India used to import large quantities of mill-yarn from Japan and the United Kingdom. During the war and after, not only have these imports ceased but we have exported considerable quantities of yarn to foreign countries.

It looks rather strange that in spite of war demands and possibilities of large profits our mill production has not improved considerably. It was only in 1943-44 that one witnesses an improvement in production but even this has not been maintained in later years. This needs a careful investigation.

There is no doubt the industry suffers from a basic weakness. As in 1919 so in 1948 it depends on foreign countries for supplies of textile machinery, spare parts and tools, chemicals and even long-stapled cotton. It could not, therefore, be possible to float new mills during the war years without Government support. But we fail to understand one thing. Our mills have worked double and treble shifts; they have consumed more cotton and have employed more hands yet the production of cloth as revealed by the Mill-owners' statement is not appreciably larger. One might suspect that the output returns supplied by the mills to the Government may not be correct. They might have been undercast to enable the mills to black-market cloth direct from the mills. The temptation was too great for the mills as well as the officials of the Government. To check this evil we suggest the institution of a system of Public Cost Account. The Textile Directorate may appoint honest and efficient Auditors to check the cost of production figures of mills. It has been a protected industry and, therefore, there is a strong case for such a control. We are of the opinion that not only for this industry but for every protected industry it must be the duty of a permanent Tariff Board to watch the efficiency of the industry and see that protection is justified by introducing efficient methods of production and distribution.

Rationalisation

The industry needs rationalisation in many directions—in the use of improved machinery, improved labour-efficiency, better purchases of raw materials, in the standardisation of products, and in the marketing, management and finance of the

industry. The first Tariffic Board in textile drew pointed attention to this fact, and an attempt was made to bring about a merger of 34 mills in Bombay. But the scheme failed mostly on financial grounds. The Fawcett Committee of 1928 that made an enquiry into the Bombay labour strike, supported the same view. Again, in 1932 the second Tariff Board that investigated into the Japanese competition remarked, "The greatest disability of the Indian industry as compared with Japan is in respect of labour. The labour cost per pound of yarn of average count 16s. in a Bombay mill exceeds the cost in a Japanese mill by over 60% and the labour cost per loom per day on plain grey cloth in a Bombay mill is over three times the cost in a Japanese mill". Again whereas here in India we employed 4,50,000 operatives to work into textile fabrics about 35 lac bales of cotton annually only 1,90,000 Japanese workers handled this quantity. It is, therefore, essential that we must put our textile industry on a sound footing from now when it is free from any foreign competition. If we do not set our house in order now it may be too late after a few years when the Japanese, British and American mills freely compete for markets. The Government of India have sanctioned 125 new mills to be set up in various provinces and Indian States. It is, therefore, essential that they should have the most modern machinery and should rationalize the industry in all aspects from the beginning.

Regional Specialisation

Bombay produces cloth mainly of light texture from medium and higher count yarn and the output compares fairly well in quality with the foreign cloth.

During the few years before the war the output of coloured and better quality white cloth substantially increased. *Dhotis* and *Saris* are extensively produced in Ahmedabad and increasing attention is being paid to cambrics and prints. Madras has specialised in high class cotton coatings, bleached shirtings, drills and khakis. Southern India has developed a large spinning industry mainly in the districts of Coimbatore, Madhura and Tinneveli, thanks to the completion of the Pykara hydro-electric scheme in the year 1930 and the keen interest shown by the Provincial Government and the local industrialists. Mills in Kanpur, Delhi and the Punjab produce mostly coarser cloth. Central Provinces and Central India have a fair number of mills with scope for considerable development. However, the most remarkable progress is made in Indian States where the rulers have given various forms of concessions in taxation. etc., and where the labour laws are not strictly enforced. Most of these mills produce coarse count yarn and cloth; but a few mills in the Baroda State are specialising in fine count cloth and Indore mills are taking to the production of coloured goods.

The war has disturbed this specialisation and the Bombay mills that were specialising in coloured and printed cloth were compelled to produce coarser cloth for the army. Now they are producing utility cloths under Government orders. We suggest that mill products should be standardised and the qualities should be so organized that single types or ranges of yarn or cloth may be allotted to individual mills. Every effort must be made at *simplification*, *specialisation* and *standardisation* of products. Duplication of work should be avoided and unecono-

mic machinery eliminated.

Decentralisation

Bombay had the initial concentration of the industry owing to the existence of a big cotton market, presence of enterprising businessmen, nearness of raw materials, availability of cheap transport facilities and a humid climate. But in this century the textile industry has spread to the interior and Bombay had to face a very keen competition from within and without. A time has come when the industry should be further decentralised if it is to be put on a healthy basis. Now that the hydro-electric schemes are being developed all over the country and cotton is grown practically everywhere the industry can prosper in areas with large and prosperous population as in the Punjab and the west U.P. There is no sense in herding population in big cities like Bombay, Calcutta, Ahmedabad and Kanpur. We see no justification for Kanpur becoming greater Kanpur and Ahmedabad becoming greater Ahmedabad. In 1931 the population of Kanpur was less than 4 lacs. Today it is estimated at above 10 lacs. The industry can easily be established in Saharanpur, Aligarh, Hathras and Etawah in U.P. These towns are in the cotton producing region and have the facilities of hydro-electric power and cheap transport. They are very good consuming centres too.

The Handloom

India has been famous for her handloom industry in all ages, and in spite of all competition of inland and foreign mills the handloom supplied about 30 per cent requirement of our cloth before

the outbreak of the War. According to the Fact-finding Committee (Handloom and Mills) the total number of handlooms in India is about 20 lakhs of which about 17 lakhs are active. The total number of weavers is estimated at 24 lakhs and of their assistants at about 36 lakhs. The average normal per-war output of handloom may be estimated at 1800 to 1900 millions yards of cloth and the total value of all kinds of woven cloth—cotton, wollen and silk—in India for 1939 worked out at Rs. 72.8 crores. The demand arises principally from two quarters—(a) for highly artistic and finished goods and (b) for coarser cloth needed by the village folk. The handloom enjoys a certain amount of superiority in the weaving of hand-spun yarn and the mill yarn of low counts as also in the weaving of delicate fabrics using high count yarn with complicated designs and cloth of striped and checked patterns. The merit of high class handloom fabrics is their distinctiveness and delicacy of workmanship for which high prices can be paid by rich customers. Handloom cloth (machine spun and hand-woven) is more durable too. Above all, the capital costs and running expenses of the handloom weaver are small which can be more easily found out.

Mahatma Gandhi has given the handloom a new status. He believed in the utmost decentralisation of power, both political and economic. Modern capitalism leads to concentration of economic power in fewer and fewer hands. The industrial unit continues expanding resulting in combines—national and international. Industrial labour is herded in large—crowded cities. According to his philosophy this system is based on exploitation and violence.

The worker is not allowed to develop his personality. It leads to social and economic upheavals from time to time. He, therefore, advocated production by masses and not mass production. To him *charkha* was the best means of providing cloth to all people. It is the symbol of freedom. He pleaded that if every worker (including children and old persons) spared an hour for handspinning every day the nation would have adequate supply of yarn for her clothing needs. He did not regard spinning as a whole-time occupation. Handloom is only next to agriculture as the largest single industry providing employment. Again, while the wages bill in a mill comes to about 25 per cent of the total cost, it is about 40 per cent in hand-weaving with mill yarn, and nearly 75 per cent in hand-weaving with hand-spun yarn. This is the greatest justification for Mahatmaji's advocacy of the *charkha*.

At present we have 421 mills with more than 10 millions spindles and over 2 lakhs of looms. The Government has permitted an addition of another 125 mills with a spindleage of 27,44,000. Yet we find that it does not give the country an improved standard of clothing. Every plan, including the Gandhian plan aims at improved standard of clothing. The Industrialists' Plan estimates the per capita consumption of cloth at 30 yards and the Gandhian Plan at 20 yards. We believe that for a decent life even 30 yards are inadequate. Further, the average does not solve the problem of the small-man who will get far below 30 yards. Taking 30 yards per capita as the basis and multiplying it by 420 million, the estimated population of the country at present, we require 12,600 million yards of cloth

for our own needs. Even assuming that our imports will balance our exports of cloth we need 12,600 million yards of cloth at present. In addition to this we have to provide for the increase in our population which is estimated at 5 million a year.

The Fact-finding Committee estimated the production as follows :—

| | Million yards | Per cent. |
|---|---------------|-------------|
| Khaddar (hand spun and hand woven) | 163.2 | 2.6 |
| Handloom cloth with mill yarn | 1643.0 | 26.9 |
| Mill cloth | 4297.4 | 70.5 |
| | <hr/> 6,103.6 | <hr/> 100.0 |

The estimates of *khaddar* are widely divergent. The Textile Tariff Board of 1932 estimated the hand-spun yarn at 24 million lbs. and the All-India Spinning Association at only 9.2 million lbs. The figures of the Association as well as of the Tariff Board are regarded as under-estimates by the Fact-finding Committee which, on a very a careful investigation, puts it at 54.4 million lbs. of yarn available for weaving purposes. Again, the Association estimates that we get 3 yards of cloth for one lb. of handspun yarn. Multiplying 54.4 million by 3 we get the above quoted figures of 163.2 million yards of *khaddar* or 2.6 per cent of the total production of cloth in the country. The Committee observes, "In the course of our tours, practically every where we found the handloom weaver averse to using hand-spun yarn. The reasons given were various: Hand-spun yarn was uneven; it lacked in tensile strength; it was unsuitable for the better class of fabrics; its cost was much higher than that of mill-spun yarn." So far the Indian Mill has

replaced the textile mill but not the handloom as is clear from the following chart:—

In Crore Yards

| | 1913-14 | 1938-39 | <i>Increase or Decrease Actual Percentage.</i> | |
|----------------------|---------|---------|--|-----|
| Mill Production | 116.4 | 426.9 | 310.5 | 267 |
| Hand-loom Production | 106.3 | 192.0 | 85.0 | 80 |
| Imports | 319.7 | 64.7 | —55.0 | —80 |

The Future Policy

We have attempted to put the case for the handloom in the fairest possible manner. It has got many virtues and advantages over the mill in several directions. But it must be admitted that it has only a limited scope. It can supplement the mill but by no means supplant it. It can serve as an auxiliary industry to the cultivator in certain areas. Now that the country is developing hydro-electric power a push can be given to the power-loom as well. While every encouragement may be given to the handloom by provincial Governments, the pace of industrialisation should not be impeded by putting obstacles in the way of new company floatations or expansion of existing plants. The handloom may be assigned a definite place in our economy and it must be seen that in the lines in which it enjoys advantage over the mill it is protected. But the country needs so much cloth that there is ample room for the mill, the power-loom and the handloom of both varieties. The country should have an all-India plan of production as well as of distribution of cloth.

To encourage the handloom, it will be advisable

to set up spinning mills in the important centres of the handloom industries, *e. g.*, in the East of U. P. and certain parts of the Madras Province. In the north-east and south-east of U. P. there is no mill although there are 1,59,772 looms and 4,41,022 weavers. There is, therefore, a very strong case for establishing spinning mills and a few mixed mills as well. The spinning mills should supply yarn to the handloom weaver who has remained idle during the war years. This area is near to the coal producing provinces and has comparatively a more humid climate. Now that the Riband hydro-electric works will supply power to these districts, the Government should see that these areas are also developed like the west U. P. So far it has not caught the imagination of the magician—the entrepreneur—who is busy with expansion of Kanpur or is shifting his enterprise to the Indian States. Under our scheme the whole countryside will hum up with activities. The standard of living of the people would improve and education would spread faster than otherwise as at Modinagar in the Meerut district.

Yet another scheme of co-ordination of the mill and the handloom may be tried. Cotton mills in the midst of handloom areas may confine themselves to spinning, dyeing, bleaching and finishing. Weaving may be done on the handloom. The mills should take up this work in a co-operative spirit. The Director of Industries of the province should supervise and assist the weavers. This co-ordination of the mill and the handloom on a co-operative basis will provide employment for millions of people in healthy and spacious environments; it will lead to greater specialisation of products and correct the evils

of excessive industrialism which result in overcrowding of cities and frequent strikes and lock-outs. It will reduce freights, eliminate middlemen, and release capital for better ends.

Labour

Labour has grown more conscious, economically and politically, during the war years. The worker is not satisfied with a mere living wage—nay, he may not be satisfied even with a reasonable standard of living. He wants a share in the management and ownership of the concern in which he works. He distrusts the employer and the rationalisation schemes which he regards as devices to entrap him. He thinks that rationalisation subordinates man to machine. It deprives him of interest and initiative and makes his work dull and uninteresting. In the last two years the country has had very many labour strikes and lockouts. We must not forget that political forces are also behind these disruptive tendencies. The Trade Union Movement is not yet put on a sound footing in this country. It lacks leadership. Unfortunately the leadership which comes from outside looks more to other interests than of the worker and the industry. It is, therefore, high time that the employer must change his attitude towards the worker. He should be prepared to be satisfied with a modest rate of dividend and should regard the enterprise in a co-operative spirit. He should encourage workers to own shares in the company and must take their representatives on the management. The worker highly resents the fabulous profits of the managing agents. They should be controlled by the State. Rationalisation should benefit all interests—the consumer, the worker and

the employer. Then and then alone it will succeed, otherwise like the strikes of 1928-29 we shall have to face country-wide strikes of long durations. Every new mill should be granted a licence on explicit condition that it will provide housing facilities for its workers.

The worker should also be in a reasonable frame of mind. The reduction of hours of work from 9 to 8 must result in greater efficiency and better standard of living. We have the example of Great Britain before us. Now that we are a free nation and there is a popular Government at the Centre and in the Provinces, the worker must feel secure and play an important role in the economic and social reconstruction of the country. He should act in a way that charges of absenteeism, 'slow-down' and 'uncalled for strikes' are not levelled against him. Labour is bound to play a more important part than finance in our future economy which shall be based on socialistic and democratic principles. But rights and responsibilities should go together—nay responsibilities should precede rights. We suggest that Joint Production Committees should be formed to step up production and remove misunderstandings between capital and labour.

Raw Material

Cotton is the most important single element in the manufacturing of cloth. It accounts for about 50 per cent of the total cost. Therefore every possible economy must be made in its production and use. India is the second largest producer of cotton in the world at present—U.S.A. being the first. The acreage under cotton has fallen in the last few years from 24,151,000 acres in 1941-42 to 14,478,000

acres in 1945-46, and the output for these years has been 6,223,000 and 3,438,000 bales respectively. Now India does not produce even as much as is required by her mills. The partition of the country has further made our position worse in this respect because reduction in acreage was effected in those provinces and States which are within the Indian Union. Further, Pakistan produces American Cotton of good quality-long and medium staples-while India produces mostly *Deshi* varieties. It is estimated that we are short of supply by about 18 lakh bales and that we shall have to import over 10 lakh bales every year from Pakistan. The United Kingdom may like to buy Pakistan Cotton to save herself from Dollar scarcity. We should, therefore, ensure this supply from Pakistan in exchange of cloth in which that Dominion is hopelessly deficient. At the same time more land should be diverted to cotton with efforts to improve the yield per acre which is very low as compared to the Egyptian and American yield.

Machinery

We are entirely dependent on foreign countries for the supply of mill machinery. This is the basic weakness in our industrial system. India could have considerably expanded her production of cloth and yarn during the war years and after, if she could get the necessary machinery. Most of the mills have worked double and even treble shifts and some of them were made to produce coarser cloth. All this has resulted in a heavy depreciation of machinery which needs not only renewal and replacement but modernisation if it has to effectively compete in the world markets. But where to get these machineries? Government and business dele-

gations have visited United Kingdom and U.S.A. and other countries but not with much success. Foreign Exchange is another hurdle to cross. However, an agreement has been entered into between the members of the Indian Textile Delegation and the Textile Machinery Makers, Ltd., for the manufacture of spindles in India according to which 74 per cent of the share capital would be allotted to the Indian companies and 26 per cent to the British concern with a representation on the Board of Directors of the New Company upto one fourth of the total strength. It is expected that the New Company shall manufacture 40,000 spindles per month after 1951. It is a move in the right direction but we need machinery immediately for which we should try other markets like Sweden, Japan, Australia and Russia. A similar agreement has been made with two leading machine-manufacturing companies of U. S. A.

Lastly the industry should devote attention to the development of technical education and the education in the art of mill management. So far finance without the accompaniment of technical education has dominated the industry. This gap must be bridged over as early as possible. The industry should not grudge over any amount spent on research work and the state should encourage these activities. Above all a bold state policy with the sole aim industrialising the land is absolutely essential.

The Present Crisis

The country is experiencing an acute shortage of cloth at present. In the last two years mostly due to labour and communal disturbances and coal shortage, the production of mill cloth has declined

considerably, particularly since August, 1946, when Calcutta disturbances took place. To add to these difficulties, the taxation policy of the Government is also responsible for the lack of interest and enthusiasm on the part of the mill-owners who are not very much moved by altruistic and social considerations. In the year 1945, the Government appointed an Industrial Panel to fix targets for the textile industry. On their recommendation, the Government of India fixed the following targets:—

| | Million yards. |
|--|----------------|
| Existing production of mill-made cloth (1943-44) | 4,800 |
| Handloom production ... | 1,500 |
| Anticipated production for new plants | 1,700 |
| | <hr/> |
| | 8,000 |
| Less probable exports | 800 |
| | <hr/> |
| Available for domestic consumption | 7200 |
| | <hr/> |

To achieve this end the Government of India, before partition of the country, sanctioned 125 cotton mills with 2,744,000 spindles for British India and Indian States. Of these about 20 mills were for the Pakistan area. Spread over the population the new target will not give any improved standard of clothing to the country.

Instead of any improvement in production, the situation is worsening every day. Unless the Government takes strong measures, in co-operation with industry and labour, production cannot improve. We have already discussed in this paper the attitude

of labour and we reiterate that the labour organisations should encourage the workers to suspend, at least for the time being, the old tactics and work in a co-operative spirit. They should accept three shift system wherever possible. An all-round production drive must be made to achieve this end.

The Textile Sub-committee made a number of recommendations regarding standardisation, durability, longer working hours, three shifts, opening of shops by mills, exercise of supervision by a high-powered committee and even increase in prices. Very recently the Members for Commerce and Finance of the Government of India were in consultation with the industrialists in Bombay, and out of their deliberations certain schemes have evolved that should help production. The country has heaved a sigh of relief when, under pressure from Mahatma Gandhi (who is alas no more with us) control on cloth was relaxed from January 20, 1948. An industrial truce was entered into between labour and capital to augment production and avoid conflicts in December 1947 but it was broken by labour under the influence of the communist party after a few days. The Government has introduced its scheme for increased production and has set up Regional and Unit Production Committees, but so far the spirit of co-operation is lacking. Let us hope things will improve soon.

SUGAR INDUSTRY

AMONG large scale industries Sugar ranks only next to the Cotton mill industry of India. Towards the end of the 19th century India produced about half the supply of sugar cane of the world. But by 1920 it had gone down to about 20 per cent although the acreage under sugar cane was about 50 per cent of the world's acreage. It was because of the lower output. The Indian Sugar Committee of 1920 estimated that "in actual sugar India's production per acre is less than one-third that of Cuba, one-sixth that of Java, and one-seventh that of Hawaii." Since then production has improved in the country but it is still much less than in the Pacific Islands. At the beginning of this century Indian sugar had to face the competition of bounty-fed sugar from Germany and Austria against which countervailing duties were imposed, but by 1913-14 most of our supplies came from Java and other Pacific Islands. During the War and in the immediate post-war period prices increased heavily and the imports fell down considerably. But with the return of normalcy conditions changed. In fact in the latter half of the twenties world production outstripped world consumption leading to a fall in the price of sugar.

The Economic depression that set in in 1929 affected the agricultural countries like India more severely than manufacturing countries because the prices of raw materials and foodstuffs fell down much more than of manufactured goods. The Indian cultivator who produced wheat, jute, cotton and oilseeds for the world market was badly hit. He

was more and more dispossessed of his land owing to his increasing indebtedness. The Government was also experiencing difficulty in realising its land revenue. It was under these conditions that the Government granted protection to the industry in 1932 at Rs. 7-4 per cwt. with a revenue surcharge of 25 per cent. Company floatation was so rapid that within four years of the grant of protection the country became self-sufficient in the supply of sugar. The number of mills rose from 32 in 1931-32 to 137 in 1936-37 with a production of more than 11½ lakh tons of sugar. The country was saved about Rs. 40 crores a year. But the grower did not benefit materially as he did not get a square deal at the hands of the factory-owner and his agents. To set it right the price of cane was fixed by Government in U.P. and Bihar, the principal sugar producing areas. Sugar Factories Control Act was passed in 1938 with a view to license sugar factories and regulate the cane supply to the factories with a guarantee of minimum price to the cane grower.

Towards the end of 1936 and in the beginning of 1937 the price of sugar came down with a crash so much so that by the end of June 1937 crystal sugar No. 1 touched the unprecedented low level of Rs. 6/1/6 per maund in the Kanpur market owing to unhealthy internal competition. This led to the establishment of a Sugar Syndicate in July 1937 organized by the Indian Sugar Mills Association. It served as a centralized selling agency purchasing the sugar of member mills at the basic price and selling it to the trade at a higher price. The situation was saved more particularly by making

the membership of the Syndicate compulsory in 1938 in the provinces of U.P. and Bihar. In the year 1940 the Government appointed a Sugar Commission for the two provinces which has exercised a rigid control over the fixation of production quotas, price movement and other allied subjects.

1939-40 was another year of crisis for the Sugar industry in the two provinces of U.P. and Bihar. The carry-over to 1940-41 was over 4 lakh tons which was double the normal stock. In their anxiety to bring down the stocks the two provincial Governments fixed the quota very low and the actual production declined from 9.82 lakh tons in 1939-40 to 7.59 lakh tons in 1940-41. By this device the stock of sugar was brought down to 2½ lakh tons for the season 1941-42. Not being satisfied with this achievement the two Governments fixed the quota for 1941-42 at 5.75 lakh tons but the actual production was only 5 lakh tons. Efforts were also made to export sugar but under the International Sugar Agreement of 1937 it could not be possible upto August 1942. The Sugar Syndicate merely functioned as an advisory body to Government after 1940. It could take no initiative in any matter.

After the outbreak of war in the Pacific the sugar position became very acute. In February and March 1942 the price went up as high as Rs. 30 per maund. The Central Government instituted control in April 1942. Like so many other commodities sugar stocks went underground and prices soared very high. The Sugar Controller fixed only ex-factory prices leaving other prices to adjust themselves. The factories set up bogus firms to dispose of their stocks at controlled prices. This led to

black marketing, and an unprecedented rise in prices. The Government lost its revenue under Income Tax as well. After some experience the Sugar Controller fixed prices at every end of the marketing process and introduced the Zoning System whereby all markets in India were zoned off into various regions, and factories were allocated to each zone. From September 1942 *Khandsari* and *bura* also came under control.

The country has experienced an acute shortage of sugar for several years. One wonders why the Government did not exercise a little imagination in 1940 and 1941. Instead of restricting production the state should have encouraged storage of sugar. The United States Government has been doing it in regard to cotton. The country was starved of its supplies by a short-sighted state policy. Sugar can be easily conserved for some years. The Government ought to maintain buffer stocks even in normal times to stabilize prices. The following table supplied by the Director of the Imperial Institute of Sugar Technology, Kanpur, gives the Statistical position of the industry at a glance :—

| Season | No. of factories worked. | Cane crushed | Sugar produced. | Percentage of recovery for India. |
|---------|--------------------------|--------------|-----------------|-----------------------------------|
| | | Tons | Tons | |
| 1936-37 | 137 | 11,687,200 | 1,111,400 | 9.50 |
| 1937-38 | 136 | 9,916,400 | 930,700 | 9.38 |
| 1938-39 | 139 | 7,004,800 | 650,800 | 9.29 |
| 1939-40 | 145 | 13,131,700 | 1,241,700 | 9.45 |
| 1940-41 | 148 | 11,290,900 | 1,095,400 | 9.70 |
| 1941-42 | 150 | 8,026,300 | 778,100 | 9.69 |

| Season | No of factories worked. | Cane crushed. | Sugar produced. | Percentage of recovery for India. |
|---------|-------------------------|---------------|-----------------|-----------------------------------|
| | | Tons | Tons | |
| 1942-43 | 150 | 10,418,500 | 1,070,700 | 10.28 |
| 1943-44 | 151 | 12,137,800 | 1,216,400 | 10.02 |
| 1944-45 | 140 | 9,343,300 | 953,500 | 10.21 |
| 1945-46 | 145 | 9,359,500 | 944,800 | 10.09 |
| 1946-47 | 142 | | 921,177 | |

While a considerable improvement has been made in the yield per acre in the last 15 years much remains to be done. Our cane yield varies from 200 to 600 maunds per acre with an average of 367 maunds as against 1500 maunds per acre in Java and Cuba. On experimental farms in the Deccan Canal area the yield has been up to 60 tons per acre and in a competition organised by the Maharashtra Chamber of Commerce the yield came to as high as 80 to 100 tons per acre or almost double the Java average yield. But exceptions do not prove the rule. Our holdings are small and scattered. The facilities of irrigation, manure and transportation between field and factory are not what one finds in these Islands. Every effort must, therefore, be made to improve the quality of cane and the total yield per acre. Researches should be carried on to evolve early and late ripening varieties of sugarcane. This will give longer occupation to our mills and mill hands. If possible experiments should be made particularly on newly acquired wasteland, to have field and factory in close proximity.

Note :—In 1946-47 Pakistan had 5 mills and produced 19,479 tons of sugar, or 2.1 per cent of the total production.

India produces over 54 million tons of cane. Of this 61 per cent is utilized in the manufacture of gur, 4.5 in the manufacture of *khand*, 17.4 in the manufacture of factory sugar and 16.2 for non-industrial uses. It is estimated that about 10 per cent juice is wasted in the manufacture of gur owing to inefficient cane-crushers. Converted in terms of money it amounts to a loss of about Rs. 2½ crores per year which is more than the total cost of replacing the existing cane-crushers. The Government should seriously consider this problem.

Another problem of serious nature is the want of correct price parity between the price of cane, gur and sugar. White sugar (rationed) was selling at 0-9-3 per seer and gur was not obtainable at less than 10 to 12 annas per seer in most of our markets. Naturally it will lead to greater pressure on white sugar and will result in black-marketing. The controversy in regard to the fixation of cane price is not new. In 1946-47 the cane growers in the Meerut Division threatened to stop supplies of cane unless its price was raised to Rs. 2 per maund from Rs. 1-4. The Government has increased the price of cane to Rs. 2 per maund this year and has decontrolled sugar from Dec. 8, 1947. With an increase in the price of cane the price of sugar has gone up. We must consider whether it was correct to have increased the price of cane so much. Bearing in mind the increased cost of cultivation the state should guarantee a fair price to the cultivator, but must not allow the vicious circle of rising prices to continue any longer.

The per capita consumption of sugar in India is estimated at 27 lbs. per year (20 lbs. gur and 7

lbs. sugar) as against 106 lbs. in U. K., 116 lbs. in Australia and 97 lbs in U.S.A. For obvious reasons the effective demand at present is considerably higher than what it was in the pre-war period. But unfortunately our supply has not kept pace with it. Rather it has gone down considerably in the last three years as is clear from the above statement. The country is also called upon to export sugar to the neighbouring countries. How to meet the situation is the question.

The Sugar Panel appointed by the Government of India towards the middle of 1945 has put the target of production of white factory sugar at 16 lakh tons in 1950 which is only 25 per cent more than the production of 1939-40. The general feeling is that the target is fixed rather low. The popular governments have popularised white sugar in the country side by rationing. With the present supplies the shortage must continue. The most important problem of problems is the need to increase sugar production at least to 20 lakh tons or double the present production. The Government has sanctioned the establishment of 20 new mills outside U.P. and Bihar and the expansion in the capacity of existing mills to an economic level. It will result in better location of the industry too. Labour problem is another headache to the industry. Little attention has been paid to the conditions of work and wages of the mill employees. On the recommendations of a special committee appointed by the U. P. Government the wages and conditions of work of the sugar factory labour have improved and the minimum wage has increased to Rs. 45 per month.

In the end we may urge that every effort should

be made to step up production. Since 1943 it has fallen by about 25 per cent. Therefore all talks of targets of 18 lakhs or 20 lakhs are meaningless. The industry has enjoyed protection for 15 years and it is overdue that it must be rationalised. Utilisation of molasses can be of considerable financial assistance to the industry. The Central Government has passed an Act to manufacture liquid fuel out of molasses and mix it up with petrol in which India is very deficient.

IRON AND STEEL INDUSTRY

THE art of smelting and fashioning iron seems to have been known to the people of this country from very early times. Some of the historians are of opinion that the earliest weapons that figure in the half mythological records of the Mediterranean people came from India. At a later date, Megasthenes, the Greek ambassador at the court of Chandragupta, bears testimony to it. The industry not only met the local needs, but steel products were exported from India to foreign countries. The wonderful collection of ancient arms, still found in India, were made of the steel known as 'wootz' produced in Hyderabad. The Indian people knew the art of *damaskeering* upon soft steel. The famous iron pillar near Kutub Minar, built in the reign of Imperial Guptas about 1700 years ago, represents a forging weighing between 7 to 8 tons, while the method by which it was produced is still a mystery to this day. Cannons of the largest calibre were manufactured in Assam. But with the development of the Steam Engine and the means of communications, the old system was replaced by newer ones.

It was in 1830 that one Mr. Josiah Marshall Heath of the Madras Civil Service set up modern furnaces at Porto Novo in South Arcot. In 1833 business was taken over by the Porto Novo Steel and Iron Company. Several other attempts were made in Bengal and U.P., but without any success. It was, however, the Barakar Iron Works, established in 1875 in the Jherriah coal fields, very near to the sources of raw material, that became ultimately successful. The Government took up the venture

in 1881, and handed it over as a going concern in 1889 to the Bengal Iron and Steel Co., which was reconstructed in 1919 as Bengal Iron Co.

The discovery of the famous Iron Belt which contains some of the richest iron ore deposits in the World and runs almost continuously for 40 miles, led to the formation of two more companies—Tata Iron and Steel Company (1907) and the Indian Iron and Steel Company (1918). As a result of the operations of these two companies India has become the seat of considerable iron industry and a large exporter of pig iron.

Steel Production :—The first attempts at manufacturing steel in India were made by the Army Department at Ishapur, and the East Indian Railway Company at Jamalpur. But it was out of imported pig iron and was on a small scale. The first commercial attempt was that of the Bengal Iron Company in 1905-6 which failed one year after, because of the low price of imported steel, the absence of a bold and consistent policy of State aid, the inferior quality of local pig iron and the small demand of steel in India and that too for numerous sections.

The really important contribution in this line is that of Tatas. The main difficulty in the way of the promoter was that of fuel. Charcoal was available in C. P., but it was neither enough nor suitable for smelting purposes. The founder spent a good deal of time and money in prospecting the Steel Works. He made an appeal for finances in the London money market in 1906 but met with no response. The Swadeshi movement was helpful to him and in 1907 he issued a new prospectus in India and got the entire capital required (£ 163,000) within

three weeks. By 1912 Jamshedpur became an extremely cosmopolitan place.

Pig iron was first produced in December 1911, and Steel in 1913. For some time the Company suffered losses on manufacture of steel. Fortunately for the Company the First World War started in 1914 and it was asked to supply war materials to the Government in the Eastern theatres of the war. The Company got a secured market in the initial stages and the Government was ensured supplies at concession rates. The arrangement was thus of mutual advantage.

In the year 1917 the Company launched its Extension Scheme, but it took six or seven years before the installation could be completed. Meanwhile the exchange rate had gone against India and the cost had gone up very high. The demand slackened owing to depression that set in in 1922. The Continental countries of Germany, France and Belgium had improved their machineries and were in a better position to compete. It was under these circumstances that the Tata Company approached the Government for grant of protection.

The Indian Fiscal Commission (1921-22) specially commended the iron and steel industry for investigation by the Tariff Board because it is a basic industry, an infant industry, an industry of strategic importance and lastly it is a key industry. The Government of India, though not actually committed to the Company, felt a moral obligation to help it in a time of crisis. During the War and after, the Company made large profits, declared high dividends and extended its works in several directions: but since 1922 it met with heavy losses due

to falling prices and foreign competition. The result was an application to the Government for financial relief at the expense of the public exchequer.

It was the first case referred to the Tariff Board for investigation. The Board was satisfied that the industry fulfilled all the three conditions laid down by the Fiscal Commission and recommended the grant of protection for a period of three years in the first instance. The Government of India passed the Steel Industry (Protection) Act in June, 1924. But hardly had the ink dried on the paper when the Company again applied for further protection in Sept. 1924. The prices of continental steel fell much more than of the British steel. As against Britain there was an automatic temporary fall due to change in the rate of exchange from 1 sh. 4 d. to 1 sh. 6 d. The Board recommended further protection by increases in the import duty on different classes of steel. But this time the Government of India preferred to grant bounties. In 1925 further bounties were given to the Company upto the end of March 1927 which amounted to Rs. 150 lakhs.

In 1927, on enquiry by the Tariff Board, Differential duties were imposed on foreign steel—a lower duty on British steel and higher duties on Continental steel. It was for the first time that Imperial preference was introduced in the case of Indian imports; the Ottawa agreement of 1932 strengthened this policy. The case of the iron and steel industry was again referred to the Tariff Board in 1934 when it was found that the industry had made a substantial progress, maintaining output and effecting considerable reductions in its cost of production. The Tariff Board was convinced that the time

had come when the industry would be able to compete even against Continental imports if full economic prices were quoted for them. However, in case of certain qualities of steel the Board recommended the continuance of protection upto 31st March 1941. To make up the loss in revenue the Government of India levied an excise duty of Rs. 4 a ton on steel ingots. The Act of 1934 continued upto March 1941 and was extended for a year more during the war period.

The history of Steel Industry in India is mostly the history of the Tata Company. It is the biggest work in Asia which is a matter of pride to the country. The next in importance is the Steel Corporation of Bengal at Burnpur near Asansol. The other works in Bengal, U. P. and Madras are mostly steel rolling mills. Mysore is the only state which has got a steel concern. In 1939, there were in all 18 iron and steel smelting and steel rolling mills in India—Bihar 3, Bengal 6, U. P. 6, Madras 2, and Mysore 1. The important ones among them are only the Tata Iron and Steel Company, the Indian Iron and Steel Company, Steel Corporation of Bengal and the Mysore Iron Works.

During the World War II not only was the production of steel controlled by the Government, but to conserve dollar exchange even imports were not allowed free. A Steel Controller was appointed and made responsible for collecting and placing orders through the British Purchasing Mission on behalf of Government Departments and Railways and of those private firms which wished to benefit by the contracts placed with the American industry by the British Ministry of Supply. The effect of all these controls

was the stringency in the Indian market. Prices of finished steel soared up to dizzy heights in the black market. The fact is that even up to this date steel is not available without influence or pressure. There is a considerable pent up demand which can be met effectively only when at least two more works of Tata's capacity are established in the country.

According to Mr. J. R. D. Tata the World War II has not given any impetus to the iron and steel industry. On the contrary it has held up even normal extensions and expansions which would otherwise have taken place. The same authority holds that finished steel has fallen from 1,201,000 tons for the best war year to 892,000 tons in 1946. Labour troubles, communal disturbances and coal shortage are mostly responsible for the decline in production.

The Government of India appointed the Iron and Steel (Major) Panel in January 1946, (i) to examine the feasibility of attaining a steel target of $2\frac{1}{2}$ to 3 million tons per annum in the first post-war quinquennium, (ii) to suggest suitable locations for new plants and (iii) to make recommendations regarding the nature and extent of state assistance and state control. The Panel estimated India's present productive capacity of all types of finished steel at 1,200,000 tons and recommended the establishment of two more works, one in C. P. and the other in Bihar, besides suggesting expansion of the existing works. The Panel was of opinion that if private capital was not coming forward the State must immediately undertake to establish one concern. The Government has accepted the recommendation of the Panel and is setting up two companies.

This is, in brief, the development and present

position of the iron and steel industry of this country. During the War years the iron and steel industry has very considerably expanded in Canada and Australia. India is on the threshold of an industrial revolution, but no progress, worth the name in agriculture, industries, communications or transport can be possible without the development of this basic industry on which hinges our whole industrial future. As regards the State control we are strongly of opinion that coal and iron must be nationalised at as early a date as possible. We cannot afford the waste in exploitation of our natural resources. We are rich in iron ores but not quite so in coal, and unfortunately the latter is more wastefully exploited at present.

INDIAN JUTE INDUSTRY

Jute is the monopoly of India. It was the British capital and enterprise that gave birth to this industry in India after 1850. The growth of international trade in the 19th century, due to the specialisation of western countries in manufactured articles, and of Asia and America in the production of raw materials and the food-stuffs, necessitated a cheap and strong packing. The industry is localised primarily in Bengal on the two sides of the Hoogly river near Calcutta. Unlike the cotton textiles, the handloom has disappeared in the case of jute with the growth of the mill industry. The chief reason is that while in the case of cotton, wool and silk there is the possibility of colour, design and artistic finish which work can best be done by hand, jute manufactures must be cheap and hardly of many varieties, much less of superior kinds.

The demand for jute goods have been fitful and changing. It depends upon the quantum of international trade. During the first World war, inspite of controls, the industry made abnormal profits, part of which were used for increasing the productive capacity of the industry by adding more looms and spindles. Unfortunately in the inter-war period owing to economic nationalism and restriction in international trade, the demand for jute and jute goods declined very considerably. The Indian mills applied the self-denying ordinance and introduced a restriction scheme in 1921 which continued upto 1929. According to this scheme the weekly hours of work were reduced from 60 to 54. But advantage of this sacrifice was taken by foreign interests which

added new machineries and improved their productive power. Hardly had the industry decided to revert to full complement in 1929 when the economic blizzard swept the world. During these years (1929-33) the jute grower suffered more than the jute manufacturer. An agreement was entered into between the member mills and the non-member mills in 1932 after protracted negotiations which continued to work upto 1936. The Government of Bengal restricted the hours of work in 1938 and member mills entered into a voluntary agreement in July 1939.

To help the jute growers who could not organise themselves, the Government of Bengal appointed a Committee of Enquiry in 1933 which, *inter alia*, recommended the restriction of acreage under jute by persuasion and not by compulsion. The Government desired to divert land from jute to sugarcane and tobacco but it was not a success. In 1939 another Committee of Enquiry by the same government recommended restriction of acreage by compulsion and since 1940 acreage under jute has been restricted by the State.

With the outbreak of war huge orders were placed by the United Kingdom, France, the United States of America and India for jute manufactures but it did not give steady work to the industry. For a few months the demand was continuous but it fell in the beginning of 1940 and towards the middle of the year the difficulties of shipping became rather serious. In December 1940 a conference of all jute interests was called at New Delhi under the auspices of the Central Government and an agreement was arrived at between the Bengal Government and Indian Jute Millowners' Association whereby the

latter agreed to purchase a given quantity at specified prices.

Besides the fluctuating demand and heavy risks on the seas, the jute mills have not been able to get sufficient quantities of coal and labour supply. The railway companies also could not spare space for jute manufactures. In addition to these troubles the Government requisitioned mills by over 20% of total productive capacity of the industry. On a floor space basis the area requisitioned was considerably greater. By working double shifts in unoccupied mills the production has not suffered so much but it has meant a great inconvenience to the industry. Further in requisitioning mills the government did not show any imagination. Some of the electrically run mills were requisitioned while steam-run mills were left out. It would have meant a saving of coal if the electrified mills were requisitioned. To equalise the burden over the whole industry the mills inaugurated an industrial pool which shows a spirit of co-operation among the mills.

The problems facing the industry in the transitional period are with regard to the adjustment of supply to demand. The productive capacity of the industry was increased after 1918 and the existence of this surplus productive capacity is not justified by economic trends. It is, therefore, a deadweight on the industry. We recommend that obsolete plants should be scrapped off and new mills must not be set up any more unless the demand springs up. The industry must be rationalised. It should not be allowed to work with fits and starts as it has been doing in the last 27 years. The surplus capital and machinery should be transferred to other uses which

should not be too difficult to find out.

In the race of self-sufficiency every country is trying to find substitutes for jute—paper, sisal grass, hemp and flax are some of the new fibres used as substitutes. Schemes for bulk handling of goods, for example, wheat in Australia and Argentina are becoming more and more popular. Egypt and the United States of America are substituting cheap cotton cloth for jute cloth for packing cotton—partly to save the money to their own countries and partly to protect their cottons from being admixed with fibres of jute. Soviet and Dutch East Indies are spending considerable sums of money on research into the development of various fibres found within their respective borders. It is, therefore, necessary that new uses should be discovered for the jute fibre on which the whole economy of Bengal hinges. The Indian Central Jute Committee and the Indian Jute Millowners' Association are carrying on researches in this regard. Jute is being used for insulating materials, for roofing and for the production of sheeting for internal and external walls. Jute cloth has also been substituted experimentally for wire mesh in concrete structures and several roads have been laid with jute concrete instead of ferrow concrete and reported to be standing up well. At a time like this when the Government has given its first priority to road making the jute industry seems to have greater possibilities if the scheme is really successful.

Another problem that should engage the attention of the State is to protect the jute grower. He is poor, illiterate and unorganized. He has hardly any knowledge of the markets and marketing pro-

cesses. The various enquiries set up by the Bengal Government and the Indian Central Jute Committee have recommended co-operative marketing for jute. These societies should provide finances and storage facilities to the jute growers. They should not make the mistake of the twenties when they purchased the production of the members outright and came to grief in a falling market. If the work of marketing is undertaken by jute societies as it is done by co-operative societies in Bombay for the marketing of cotton it will help the jute grower a good deal. Attention should also be paid to the growing of more rice on the land that was formerly devoted to jute because while before the war two maunds of rice were in value equal to one maund of jute the position now is just the contrary. Not only will he have a better purchasing power but the province will be more self-sufficient in food without disturbing the national economy in any form.

The last but by no means the least important problem for the jute industry is the regulation of the 'futures market', in jute. It is highly disorganized and full of evil practices. There is too much of speculation of the worst form in the market and very little genuine hedging business is done. So far it was controlled by the government under war ordinances but with the return of normal times it will be necessary to regulate it. The Government of Bengal invited Professor J.A. Todd simply to study this problem and we hope his recommendation will be given effect to.

Partition of India into two Dominions has raised new problems for this industry. While all the mills, nearly 100, are in India, raw jute of the

best quality is mostly produced in East Pakistan. The following table gives the relative position of the two Dominions in regard to jute acreage and production :—

| | India | Pakistan |
|------------|-------|----------|
| Acreage | 29% | 71% |
| Production | 28% | 72% |

India depends on Pakistan for about 50 per cent. of her requirement of jute for her mills. It is expected that Pakistan will set up some mills in her territory.

This will make our productive capacity still more redundant. But if the economically depressed areas develop and the quantum of world trade increases it may be possible that our mills may find useful occupation. Otherwise the right course is to shift capital and enterprise to some other industrial channel where they can be more usefully employed.

INDUSTRIAL FINANCE IN INDIA.

Modern Industrial development in India roughly dates from 1850. The textile mills—cotton and Jute-
Collieries, paper mills, etc., were mostly started in the second half of the nineteenth century. The railway lines, connecting the ports with the hinterland, were also constructed in this period. Except in the case of cotton, it was the British capital and British enterprise that brought about company floatation in this country. We had neither the capital nor the technical skill to develop our industries on the modern lines. The state policy was to encourage plantations and commercial penetration of the country by the British capitalists. Finance has dominated industry in India. It is the managing agencies—British and Indian—that arrange block capital as well as working capital for the companies they manage. The banks have played a very unimportant role in our industrial finance. Debenture issues are not very popular too. It is the 'deposit system' that has mainly financed the cotton mill industry in Ahmedabad and Bombay. Bank loans accounted for only 4 per cent in Ahmedabad and 9 per cent in Bombay of the mill finance according to the first Tariff Board on Cotton Mill Industry.

Indian capital has been dammed as shy and in—accessible to industry. Even as late as 1931 the Central Banking Enquiry Committee observed that "land constitutes perhaps the most attractive field for investment." There is no doubt that the fixed income group is never prepared to take risks inherent in industrial investment. It has always liked to invest money in Government Securities or even postal certi—

fications. Those among them who come from the rural areas preferred to invest in land to ensure a comfortable living in the old age. But one can discern a definite change since 1929 when the economic depression started and the prices of agricultural goods fell down considerably. During the thirties land went down in value and popularity. Again, this was the period when a change was introduced in our fiscal policy. Protection was granted to Iron and Steel, Cotton, Sugar, paper and pulp and match industries during the inter-war years. With a little encouragement from the Government in the form of Tariffs and with reasonable expectation of security of capital and fair return on the investments Indian Capital has come forward. The Sugar industry that got protection in 1932 developed so fast that in 3 or 4 years the country became self sufficient in the supply of sugar. Various estimates have been made of the foreign capital in our industry ranging between 200 to 1,000 million sterling. Without swearing by any of them it can be positively said that the foreign capital is losing ground to the indigenous capital. Under the leadership of a few big managing agencies like those of Tatas, Birlas, Dalmias and J. K. Group the ownership is passing to the Indian hands. Our businessman is capable of taking risks. Rather speculation is the breath of his nostrils. He is not satisfied with genuine trade alone. The big family firms carry a frenzied speculation. Sir K. M. Macdonald, the Managing Governor of the Imperial Bank of India, remarked before the Central Banking Enquiry Committee that "most of the Indian investors had an attraction for speculation. The favourite consideration with them was the capital appreciation rather than steady yield."

While on the one hand the C.B.E. Committee says that Indians prefer land, Government Securities and postal certificates to industrial securities, on the other hand, we learn from the evidence of the Governor of the Imperial Bank before that very Committee that Indians are mostly of a speculative bent of mind and prefer equity shares to debentures. The fact seems to be that while the fixed-income group prefers Government Securities and postal certificates, the business class prefers equity shares and does care more for capital appreciation than for steady yield. In the last few years they have purchased foreign interests at fabulous prices. Old and worn-out machinery and plant are bought at considerably inflated prices. It needs a State enquiry and control.

Prior to the First World War British capital was invested in government loans, railways, coal mines, jute mills and large scale plantations. Sir George Paish estimated the total British capital invested in India and Ceylon in 1911 at £365 million distributed as follows :—

| | £ million |
|-------------------------------------|-----------|
| Govt. and Municipal loans | ... 182.5 |
| Railways | ... 136.5 |
| Plantations | ... 24.2 |
| Tramways | ... 4.1 |
| Mines | ... 3.5 |
| Banks | ... 3.4 |
| Oil | ... 3.2 |
| Commercial and Industrial Companies | 2.5 |
| Finance, Land and Investments | ... 1.8 |

£ 365.0

On an analysis of the above table we find that up to the outbreak of the First World War 97 per cent of the British capital was invested for commercial penetration of the Indian market. For a few years in the post-war period British capital flowed to India in larger quantities, but it cannot be accused of encouraging heavy industries in the country at any stage. With the grant of Discriminating Protection to the country a change came about in the attitude of the British capitalist. In recent years, particularly since the establishment of the National Planning Committee, this question has come to the forefront. The foreign vested interests are bound to oppose any suggestion of compulsory liquidation or purchase of their interests. Commenting on the Resolution of the National Planning Committee in regard to foreign capital, the 'Capital'—the organ of British financial interests in India—observed in its issue, dated November 15, 1945, that "already British enterprise is beginning to assume an ancillary rather than a principal function in Indian economy. But even though in the eyes of some, it may be cast for a subordinate role in the future, it will not consent to being drummed out of a country, to whose prosperity it has made an abiding contribution, to the accompaniment of the predatory whoops of the economic counsellors of the Congress." As regards their future attitude the paper adds "they (Congressmen) need have no fear that India is about to be swamped with British or any other brand of foreign capital", as according to it the conditions are not favourable.

Personally we are of opinion that we cannot force out the existing British capital—nay we should

not. We have yet to learn a good deal from them in organization and mill management. But in future we must not create foreign interests to our own prejudice. With the growth of industrialisation the proportion of foreign enterprise will be steadily lessening. Our main difficulty at present is not so much of finance as of getting machinery and know-how. How to get these facilities is the question. We suggest that as far as possible the state should arrange to procure them on a credit basis. If that be found inadequate foreigners may be taken into partnership with minority interests as in the case of two concerns established for the manufacture of textile machinery.

There are many other new tendencies which a keen observer can detect. Firstly, the big managing agencies are having a wide sweep of business—Besides manufacturing concerns each one has one or more insurance companies, banks, investment trusts and even newspapers. This kind of loose combination of companies under one management is of mutual benefit, though it may not be socially desirable as it leads to concentration of economic power. It secures institutional investment as well. Secondly, the number of Investment Trusts which can be a link between the investing public and the industry is increasing. India has now about 20 trusts of different sizes. They are getting popular. Thirdly, some of the important brokers like Place, Siddons and Gough, and Investment Corporations have begun to underwrite share capital of newly floated companies. Though we have no parallel of the English Issue House or the German Konsortiums, we believe that in years to come underwriting busi-

ness will further develop in India. In fact, first class managing agencies experience little difficulty in getting their capital subscribed. Fourthly, a greater variety of shares are issued now than it was so a decade before. Redeemable Preference, Participating Preference 'Employee Shares', Conversion Shares are new features in present day capital issues.

Yet another tendency that we notice is the increased capitalisation of existing banks, insurance companies and manufacturing houses. To quote only a few instances, the Bank of India, the Central Bank, The Punjab National Bank, The United Commercial Bank, The New Asiatic Insurance, The Bird's Group, The Elgin, New Victoria, etc., have increased their share capitals in the last few years by calling in fresh capital or by issue of bonus shares. The tendency is towards an increased unit of business.

"*Broadly speaking, industries require capital for two purposes-(1) capital for block, that is, to finance fixed assets and (2) working capital, that is to finance floating assets. Block capital is required by newly started industries for fixed assets, such as land, buildings, machinery and other appliances of a durable and permanent character. It is also required in the case of established industries for purposes of extensions and replacements. Working capital is required for the purchase and working up of raw-materials into finished products, for stores, for expenses incidental to the marketing of products, for financing outstanding operations in respect of goods supplied, and for providing the necessary funds

* The Indian Central Banking Enquiry Committee (Majority Report) 1931, pp. 267-268.

for meeting day-to-day requirements. The capital that is invested in this latter way is of the nature partly of permanent or long-term capital and partly of short-term finance." Thus, the capital requirements of an industry may be divided into long-term or permanent capital and short-term capital.

So far most of the major industries in India have obtained their capital for financing their fixed assets either by public or private subscription of shares or debentures of the undertaking, or by direct deposits. The part played by these diverse methods has, of course, varied from industry to industry and even from place to place in the same industry. The general impression that one gathers by studying the capital structure of various industries is that preference shares and debentures have not been popular with Indian investor.

The reason why the preference shares and debentures have been less popular in India is that most of the Indian investors had an attraction for speculation and that the favourite consideration with them was the capital appreciation rather than steady yield. The issue houses and the underwriting firms are conspicuous by their absence in this country. This had a bad effect upon the promotion of companies as ventures of uncommon character found much difficulty in raising their capital though enterprises started under known and popular managing agents found absolutely no difficulty in getting any amount of capital subscribed by people. This is one of the main reasons why the institution of Managing Agency has become so popular in India. The contribution of Indian banks to this kind of industrial finance has been almost negligible. One or two

attempts, no doubt, were made like the People's Bank and the Tata Industrial Bank but these institutions came to grief, the main reasons being that they ignored the principles of industrial financing and also that the directors of these institutions got interested in unhealthy concerns.

The amount of working capital required varies from industry to industry. It worked out at about six to eight months' output in normal times and may be estimated at about 20% to 30% of the total capital requirements of an industrial concern. The main agencies which have been financing this part of Indian industrial finance are private deposits, money on private account provided by the entrepreneurs and their friends or loans given by the commercial banks and indigenous bankers. The commercial banks render financial assistance by (i) discounting bills, (ii) advancing loans, and (iii) granting cash credit or overdraft facilities. In all these forms of advances, goods and personal security form the main security with the banks. In most cases, however, banks insist on additional guarantee of the Managing Agents over and above the stocks hypothecated with them. As a rule, these advances are secured for a maximum period of twelve months and are renewable thereafter. Banks in India do not constitute even the main supplier, to say nothing of the only supplier of credit as is clear from the statement prepared by the Tariff Board (1927) for the cotton mill finance of 64 mills in Bombay and 56 mills in Ahmedabad.

| | AHMEDABAD | Per cent | BOMBAY | Per cent |
|-----------------|---------------------|----------|---------------------|----------|
| | Lakhs of rupees. | of total | Lakhs of rupees. | of total |
| Public deposits | 4.26 | 39 | 2.73 | 11 |
| Share Capital | 3.40 | 32 | 12.14 | 49 |
| Managing Agents | 2.64 | 24 | 5.32 | 21 |
| Banks | 42 | 4 | 2.26 | 9 |
| Debentures | 8 | 1 | 2.38 | 10 |

This table clearly exhibits that the first three sources, viz., public deposits, share capital, and managing agents account for 95% in the former and 81% in the latter, while banks contribute only 4% in Ahmedabad and 9% in Bombay of the total finance.

The iron and steel industry of India has always been faced with shortage of funds because of its very large financial requirements. Their requirements were met by loans, debentures and cash credit facilities granted by the Imperial Bank of India.

In the sugar industry, most of the working capital was provided by banks and managing agents.

The jute mills felt comparatively little difficulty so far as the problem of working capital was concerned. Their capital and reserves being large and management European, they had easy recourse to the banks for temporary accommodation.

Thus, to conclude, we find that the role of banks in financing industry has almost been negligible.

On the other hand, in foreign countries the banks have played very important role in developing industry. Even in Great Britain where the banks have played comparatively less important part because of the presence of other important consti-



tments of capital market like issue houses, underwriting firms, etc., they have not hesitated in supplying current needs or the day-to-day requirements of industries. As such, in Great Britain the issue houses, underwriters and other members of the capital market have financed the block capital while the commercial banks have provided day-to-day requirements or a part of the working capital. In the inter-war period the British banks, under the leadership of the bank of England, started special institutions, like the Bankers' Industrial Development Company Limited, and Securities Management Trust Limited, etc., to rationalise the British industry. The Balfour Committee and the Macmillan Committee recommended various measures to bridge the gap between banks and industry. Lately they have started two gigantic organisations—(i) Finance Corporation for Industry Limited, with total resources amounting to 125 million for providing temporary or long period finance for industrial businesses of the country and, (ii) Industrial and Commercial Finance Corporation Limited, with total resources amounting to £ 45 million to provide medium and long-term capital for small and medium-sized businesses of the country.

In Germany the attitude of banks has been one of close collaboration with industry. In fact, the German industry owes its very existence to the banks. The German banks by forming a 'Syndicate' or 'Konsortium' carried out issue business in an excellent manner. A 'Konsortium' comprised several joint stock banks and a number of provincial banks. It was like a joint venture. This method not only reduced the risk by spreading it among all the associated members but was also remarkable in prevent-

ing one bank from granting credits unknown to others. This acted as a financial brake on the concern. The solidarity between the banks and industry was based on a spirit of mutual confidence. Another feature of the scheme was that bank managers also became directors of the industrial companies which created community of interest and developed *esprit de corps*.

Besides these, if we look to other foreign countries, we find that almost all other countries have got institutions of the nature of German 'Konsortiums' and British issue houses and underwriting firms. Even then their governments started huge financial organisations with a view to enlarge and develop industry, e.g., The Bank of Australia pleaded for establishment of an Industrial Finance Department and got one established within it. The objects of this Department were described as under :

(i) to provide for the establishment and development of industrial undertakings particularly small undertakings ;

(ii) to assist in the establishment and development of industrial undertakings ; and,

(iii) to provide advice on the operations of industrial undertakings with a view to promoting the efficient organisation and conduct thereof.

In Canada, it is known as Industrial Development Bank. In Japan, it is called Industrial Bank of Japan, and in the United States of America, institutions of its kind are termed as Investment Trusts.

In view of the part played by banks in the financing of industries in foreign countries, the

absence of capital market in India, and the backwardness of Indian industry, it looks almost certain that if Indian industry is to progress, the banks shall have to change their attitude towards it. Instead of borrowing conventions from Britain where capital market is developed to a very great extent, and sticking to them, they should follow German practices. The following suggestions will, however, be found to be useful in bridging the gap between Indian industry and banking.

Suggestions For Raising Long-term Capital.

(i) An All-India investment institution should be started without loss of further time. Its share capital should be subscribed by the Central Government, the Reserve Bank, the Joint Stock banks, and the institutional depositors like insurance companies etc., with the objects the Industrial Finance Department has been established in Australia. It is gratifying to note that the Government of India have, at long last, passed the Industrial Finance Corporation Bill under which the new institution is proposed to have a share capital of rupees five crores and a borrowing power not exceeding rupees twenty crores in the form of bonds, debentures, guarantees, and underwriting agreements. A further limit of rupees ten crores has been granted for receiving deposits for a minimum period of ten years. Loans to be granted by the corporation are not to exceed twenty-five years in duration and rupees fifty lakhs in amount in the case of any individual industrial concern. The bonds, debentures and share capital of the Corporation have been guaranteed by the Government of India as to the repayment of principal and interest not exceeding $2\frac{1}{2}\%$. Its scope has been limi-

ted by restricting its finance for industries worthy of support which find it difficult for temporary reasons to find finance in the ordinary way. This amounts to unnecessarily limiting the scope of the bill as it excludes help to new industries.

(ii) Similar institutions ought to be started in all the provinces and states for developing industries, which fall in their jurisdiction. No doubt, some provinces have such institutions as for example we have got one in the United provinces, viz., the U. P. Financial Corporation Ltd., but on the whole more corporations of this type are required and in all the provinces and states. Even those institutions which exist, offer much scope for improvement.

(iii) The banks in India should form syndicates or 'Konsortiums' on the German style for financing industries because commercial banking is essentially different from industrial banking in as much as loans and other advances are required for a short-term in the former while for a much longer period in the latter. As such the banks, if they want to be of real help to the industry and thus further the national cause, should create a separate institution for providing financial assistance to it. These institutions after proper examination of the prospectuses of the newly floated companies can, if they are satisfied, underwrite the debenture capital and thus lend support to industry. At convenient and opportune moments this capital can be sold on the stock exchange and funds released for further underwriting. By a systematic policy a good deal can be achieved as was done in Germany and in some other countries.

(iv) The limit for compulsory 55% investment

in Trustee securities imposed on the insurance companies should be relaxed so that funds may be released for industry. These funds may, with advantage and safety, be invested in the debentures underwritten by the banks.

(v) The share capital should be under-written by share-brokers. Of late, some important brokers like Place, Siddons, and Gough and some investment corporations have begun underwriting the share capital of newly floated companies. This is a very healthy tendency and should be encouraged.

(vi) Various classes of shares like ordinary, preferred, cumulative preferred, employees' shares, etc etc., should be introduced to attract savings of different persons. The entire profit of a concern should be divisible on a coparcener and profit-sharing basis, bearing in mind also the risk undertaken by every investor. The present system where an ordinary shareholder of the face value of Rs. 75 of Tata Iron and Steel Company Limited, gets a dividend of Rs. 23 per share while a deferred share-holder of the face value of Rs. 30 of the same company gets a dividend of Rs. 129-8-9 per share, is highly objectionable and undesirable, and as such, should be discontinued as it leads towards speculation as against genuine business, and the tendency of capital appreciation against steady yield on capital in the form of dividend.

(vii) Investment trusts should also be formed where the small depositors may invest their surplus funds. These institutions may subsequently invest the money in purchasing shares of different classes, of different industries under different managing agencies so that the fall in the value of one may be made good by a rise in the value of other or others

thus yielding to the small investor a decent return of about 5% to 6% on his small investment, a return which he cannot expect, otherwise, without risking his capital. It will help in mobilising capital from small investors.

Suggestions for raising short-term capital.

(i) The bills and hundis are discounted even at present by all the banks in the country. What is desired is that these documents should be rediscounted by the Reserve Bank of India rather freely. If the Reserve Bank of India begins to rediscount the commercial paper there is no reason why the banks should not stand out as the only supplier of working capital to industry.

(ii) The development of bill market is the crying need of the hour. It can be developed by linking finance with storage facilities which can be done only when there are public warehouses. The warehouse receipts should be declared to be quasi-negotiable instruments. The scheme can best be implemented into practice if the construction of warehouses is handed over to a semi-government institution specially created for this purpose because it will reduce the cost of storage and will also be able to provide a comparatively much more efficient service, than is available at present.

(iii) In the case of loans and cash credits advanced by banks the practice of insisting upon taking double signatures by managing agents as surety should be discontinued. Instead of it another practice should be started whereunder a thorough scrutiny may first be made by the bank into the affairs of the company, and if the bank is satisfied by that scrutiny

that the undertaking is in a sound financial position, it should supply finance to the concern without any guarantee from the managing agents or any other party. If, on the other hand, the bank feels dissatisfied it may not make any advances on any security or guarantee whatsoever.

If all these suggestions are given effect to accompanied by a bold State policy in the matter of tariffs and other aids to industry as enunciated in their statement of April, 1945, we see no reason why sufficient capital must not come forth for all kinds of investments in the country.

TARIFFS AND INDIAN INDUSTRIALISATION

DUE to certain well known causes Industrial Revolution first started in England. Helped by the advantage of an early start, which in an open international system tends to become cumulative, she soon became the workshop of the world. The onward march of the new industrial system gave rise to two sets of needs, viz. first, the need of cheap and unfettered imports of raw materials for the expanding industries and of food-stuffs for the growing industrial population ; and secondly, the need of free and ever widening markets for the export of her mass-produced goods. The economic existence of England thus came to depend on the satisfaction of these two types of needs. For this a free and uninterrupted flow of trade with other countries was essential. Hence Free Trade became a necessity for England ; and what originated as a necessity for her gradually grew into a principle of universal validity. "Such is the relativity of economic doctrine that English Economic thought also was coloured by the assumption that what was good for England must be good for other countries as well."

It was in the interest of England to encourage this blind faith in free trade and for some time she was successful too. But soon the comparatively undeveloped countries realised, to their cost, the grave dangers inherent in such a policy from their national point of view. They found it difficult to protect and develop their economic structure in the face of unfair competition from well-established British industries, which, on account of initial advantage, were enjoying a number of internal and

external economies. Consequently Germany and France, and later on the United States and other countries, revolted against the dogma of free trade, and adopted in its place suitable protectionist policies. Without this they could never have developed diverse industries. In fact much of the prosperity of many of industrially advanced countries is because of the systematic policy of protection pursued by them. This has been admitted even by leading free trade authorities like Taussig and Marshall.

For India the case was, however, different. Being a Dependency, she could hardly assert her freedom in tariff matters. Free trade, which was the corner stone of England's economic policy, was imposed upon her without any regard to the widely different circumstances of the country. It is proposed to deal, in this brief essay, with the origin and working of the present tariff policy, and to examine its effects on the industrial development of the country.

Free Trade Policy

From the middle of the nineteenth century until the end of the first Great War in 1919, the tariff policy pursued by the Government of India was completely based on the principle of free trade. Revenue, rather than any programme of industrial development, was the sole consideration in determining tariffs. It was definitely laid down for general guidance that customs duties should not be employed as an instrument of protection.

The financial embarrassment caused by the Mutiny of 1857 compelled the Government to increase the customs duties on various classes of goods. Under

the Tariff Act of 1859 the general rate of duty was raised from 5 to 10 per cent. and the duty on cotton yarn from $3\frac{1}{2}$ to 5 per cent. But even these small revenue duties led to a great uproar in England. In 1874 the Manchester Chamber of Commerce submitted a memorial to the Secretary of State pointing out their protective character and praying for their early removal. This was referred to a Tariff Committee which rejected the demand for repeal of the cotton duties on the ground that there was no competition between Indian and English cotton industries, the former producing coarse fabrics and the latter fine fabrics. The Secretary of State was not satisfied with the result of the enquiry. He emphatically declared that "Parliament will not allow the only remnant within the direct jurisdiction of the English Government to levy protective duty which so far as it operates at all is hostile to English manufactures". He further added that "whether the question be regarded as it affects the consumer, the producer, or the revenue I am of the opinion that the interests of India imperatively require the timely removal of a tax which is at once wrong in principle, injurious in its practical effects, and self destructive in its operation."

In 1878 Sir John Strachey, the Finance Member came out to India with a mandate for the abolition of duties. He observed that "I am not ashamed to say that, while I hope that I feel as strongly as any man the duties which I owe to India there is no higher duty in my estimation than that which I owe to my country. I believe that our countrymen at home have a real and a very serious grievance and that it is no imaginary injury against which they

complain." He laid down the following principle which was to govern the future customs tariff of India. That no duty should exist which affords protection to native industry, and as a corollary, that no duty should be applied to any articles which can be produced at home, without any equivalent duty of excise on the home production and also that no duty should be levied except for purely fiscal purposes" This announcement of the policy on the part of the Government definitely sounded the death knell, not only of the cotton duties, but also of the import duties in general.

First of all, the coarser varieties of imported cotton goods, with which Indian manufactures had begun to compete, were exempted from duty in 1878. But this could hardly satisfy the appetite of the Manchester Chamber of Commerce. They asked for the removal of duties on several other goods as well. The Government of India got the opportunity in 1882, when the budget estimate showed a revenue surplus of over £3 million, to carry out their wishes. All the remaining cotton duties were repealed. At the same time the General Import Duty was also abolished. Only the special duties on wines, arms, ammunition, salt and opium were allowed to remain in the tariff schedule. Such was the triumph of Free Trade principle in India.

The period from 1882-1894 was one of complete free trade. The Indian markets were thrown open to the industries of the world. Thus the few industries which had just come into existence in the country were now "free" to compete with the matured British industries and the protected industries of other countries. But soon after 1894 the Government of India

were faced with acute financial difficulties owing to the steady depreciation of the rupee exchange, and the huge growth of military expenditure brought about by the frontier wars and the military expedition to Burma. It, therefore, became necessary to impose fresh taxation. The Government proposed a general tariff of 5 per cent. on all imports. But the Secretary of State objected to the inclusion of cotton goods in the list. Subsequently he agreed to their inclusion on condition that a counteravailing excise duty was imposed on cotton goods manufactured in India. Accordingly in 1896 the Government reduced the import duty on cotton manufactures from the general rate of 5 per cent. to $3\frac{1}{2}$ per cent. and a corresponding excise duty of $3\frac{1}{2}$ per cent. was levied on all piece goods produced in the Indian mills. In spite of universal opposition in the country, this position remained unchanged right upto 1917.

Customs Duties during the War

The advent of the war necessitated great increases in duties. In 1916 17 the general import duty was raised from 5 per cent. to $7\frac{1}{2}$ per cent. while increases were made in the rates on iron and steel, sugar, arms etc. The duty on cotton manufactures was also raised to the general rate of $7\frac{1}{2}$ per cent. a year later. The cotton excise duty was, however allowed to remain at the old level of $3\frac{1}{2}$ per cent. Large additions to taxation were again made in 1921. A special duty of 20 per cent. was imposed on motor cars, silks, etc., and the general rate was at first raised to 11 per cent. and subsequently to 15 per cent.

Thus during the war the tariff became more diversified and its general level was also raised consider-

ably. But all this was done for purely revenue purposes. The fiscal policy of the Government remained firmly based upon the free trade principles.

Towards Protection.

The Joint-Select Committee of Parliament which examined the Government of India Bill of 1919 expressed their views on fiscal policy as follows. "Nothing is more likely to endanger the good relations between India and Great Britain than a belief that India's fiscal policy is dictated from Whitehall in the interests of the trade of Great Britain. That such a belief exists at the moment there can be no doubt. That there ought to be no room for it in the future is equally clear..... Whatever be the right fiscal policy for India, it is quite clear that we should have the same liberty, to consider her interests as Great Britain, Australia, New Zealand, Canada and South Africa." This was the origin of the well-known Fiscal Autonomy Convention which was finally adopted in 1921. The Convention laid down that the Secretary of State would not interfere in fiscal matters over which there was agreement between the Government of India and its legislature, and that his intervention, when it did take place, was to be limited to safeguarding the international obligations of the Empire, or any fiscal arrangements within the Empire to which His Majesty's Government was a party. This was followed by the appointment of the Fiscal Commission in March, 1921 to Examine the question of an appropriate fiscal policy for India. There was considerable difference of opinion on various points between the majority and minority of the Commission. The Majority report, which was published in 1922, recommended a policy of protection with discrimina-

tion, while the Minority Report favoured "an unqualified pronouncement that the fiscal policy best suited for India is Protection". The Government of India announced its acceptance of the main recommendations of the Fiscal Commission in 1923. The policy which resulted from the acceptance of the report of the Commission is what is known as Discriminating Protection. Under this policy only those industries are eligible for protection which can fulfil certain necessary conditions. These conditions, as stated in the Majority Report of the Commission, are as follows:

(i) The industry must be one possessing natural advantages, such as an abundant supply of raw materials, cheap power, a sufficient supply of labour or a large home market.

(ii) The industry must be one which without the help of protection either is not likely to develop at all, or is not likely to develop so rapidly as is desirable in the interests of the country.

(iii) The industry must be one which will eventually be able to face world competition without protection.

Apart from these conditions, an industry which enjoys the economies of diminishing costs, or is essential for national defence, or is a key industry, can also be considered for protection.

The above triple formula and the way in which protection has been administered with reference to these conditions has been the subject of severe criticism. The first condition is that the industry seeking protection should possess natural advantages such as a local supply of raw materials, a large home market, etc. It is pointed out by many that not even

in highly industrialised countries can any industry fulfil all these conditions. Most of them have to rely, to a greater or less extent, upon imported raw materials and on foreign markets. Why was then such a stiff condition laid down for an "infant" country? It should, however, be noted that the Fiscal Commission mentioned the above factors in this condition only by way of illustration; otherwise the words "such as" and the "or" could not have been introduced. The Commission did not say that any one of these factors or all of them should be necessarily present, but that on the whole the balance of advantage should be in favour of the applicant industry. But at any rate so much, is true that later on the Government began to interpret this condition very rigidly. Before granting protection it was insisted that the principal raw materials required for the industry should be available in the country. Glass Industry was refused protection on the ground that soda ash was not available in India, although according to the Tariff Board the industry had sufficient advantages to compensate for this deficiency. Such an insistence was highly unfair and unjustifiable. There are numerous cases where an industry has made phenomenal progress in spite of the absence of the principal raw material in the producing country. For example the rubber goods industry in the U. S. A. has reached a high stage of progress, although America does not produce natural rubber. Similarly England and Japan do not produce raw cotton, but both of them have a very successful textile industry.

The second condition is that the industry cannot develop unless protection is granted. This means that a new industry has no chance of getting

protection from the very beginning, for to show that it cannot make any headway without protection, it must have been in existence for sometime. Further as Prof. Mathai points out, it is really a truism and can hardly be called a condition. "If the industry can stand competition unaided, the margin between the import price and the fair selling price which, according to the practice of the Tariff Board, measures the amount of Protection required will reach vanishing point".

As regards the third condition, viz., that the industry will be able eventually to dispense with protection and face world competition, it must be admitted that to a great extent it is redundant. If the first condition is satisfied, it necessarily implies that this condition is also satisfied. And this is not all. It is practically impossible for even the best informed Tariff Board to forecast with reasonable degree of accuracy whether a given industry will eventually require assistance or not. For this involves a consideration of so many divers and uncertain internal and external factors, that it becomes almost astrological to say what will be the position during a specified period. The Magnesium Chloride industry presents a very interesting case. In 1924 the Government refused protection to this industry on this ground as recommended by the Tariff Board. In 1928 this industry again applied for protection. This time the Board, after reviewing costs and prices, came to the conclusion that the industry was in such a favourable position that it did not require any greater assistance than the restoration of the original duty. This very well illustrates the difficulties involved in the application of this third condition on which

discriminating protection is based.

The above analysis of the triple formula, which is the corner-stone of the policy of Discriminating Protection, brings out many of its draw-backs and inconsistencies. It shows how anomalous and severe are the conditions which have to be satisfied before protection can be granted to any industry. "Discriminating Protection", in the words of Prof. Adarkar "was merely a compromise Formula by the majority in the Commission to soothe external interests and the adjective "discriminating" merely gave a semblance of respectability and level headedness to the triple formula devised." That is why the recommendations of the Commission relating to the grant of protection to Indian industry were so halting in nature and were so much hedged in by numerous provisos and conditions.

It must be frankly admitted that the requirements of India, a country ailing from the ills of an unbalanced economy, did not justify the adoption of such an overcautious and slow policy of protection. This might have been appropriate for a developed industrial country having a few infant industries, but certainly not for a "backward agricultural country wishful to develop industries" and possessing rich cumulative potentialities of industrialisation. India had already been left far behind in the race of industrialisation due to 'laissez-faire' policy of the Government, leading to increasing poverty, unemployment and many other economic and social evils. So to enable the country to make up the arrears and restore balanced economy, what India needed was a vigorous comprehensive and national tariff policy. But unfortunately in the place of 'laissez-faire', the

Government formulated an exceedingly weak and half-hearted policy. As a consequence our industrial development has been unnecessarily arrested.

Tariff Machinery.

In order to satisfactorily carry out the tariff policy, there is the need of a suitable organisation which should be able to act expeditiously and also effectively. In countries like U. S. A., Australia and Great Britain there are permanent tariff commissions which keep a watch over the whole industrial field and take immediate action if anything goes wrong. In India the machinery which has been created for this purpose is the Tariff Board. It is purely an investigating and advisory body, consisting of a president and two members, one of whom is ordinarily a Government official. The members are selected by the executive which also fixes the terms of reference. As the appointments are generally made for short duration and their renewals depend upon the pleasure of the Government one can well realize the difficulties of an independent and impartial outlook on the part of a Board so constituted.

The Indian Tariff Board is undoubtedly an *ad hoc* body constituted from time to time whenever the case of an industry for protection comes up for consideration. For every industry a new Tariff Board is appointed. This practice of appointing different Boards at different times stands in the way of efficiency and quick decisions, as every new member would take considerable time to familiarize himself with the intricacies of tariff mechanism. The members, due to frequent changes, lack width and continuity of experience which adversely affects the working of the Board.

Further, the scope and the functions of the Tariff Board are too narrow and individualistic. Each industry is considered separately and its claims to protection are examined without reference to the problems of industrialisation as a whole. And even in the case of each protected industry, the Board is not required to keep a constant watch or make a continuous study of the data regarding post-protection development, in that industry. On its initiative the Board cannot make investigations, nor can it examine the effects, even in an advisory capacity, of things like revenue duties or preferences. In this respect it stands no comparison with the Import Duties Advisory Committee in Great Britain, or the Tariff Board in Australia.

Finally, the procedure of protection is also desperately slow and too dilatory. An application for protection has to pass through several bottlenecks before its fate is finally decided by the Government. In the first place, the industry concerned has to make an elaborate application to the Commerce Department. If the Department is satisfied that *prima facie* a case has been made out, the application is referred to the Tariff Board which undertakes detailed investigations, moving from place to place and collecting relevant data as there is no permanent machinery to keep a continuous record of statistical and other information. The Board takes its own time in preparing the report which is then submitted to the Commerce Department for final decisions. As we know the Tariff Board is only an advisory body its recommendations are not binding. Cases can be pointed out where the recommendations of the Board, supposed to be an expert body, have not been accept-

ed by the Government. Finally, the Government also take sometime in formulating proposals which are ultimately embodied in a Bill, the passage of which in the Assembly is an equally great time-consuming process. So in this way much time is lost owing to references, backward and forward. Such a slow moving machinery can, in no way, meet the situation on the commercial front where rapid changes take place. The industry may be actually dying but no instantaneous relief can be given under the existing procedure.

Thus the constitution, functions, and the procedure of the Tariff Board, which was created in 1923 to carry out the policy of Discriminating Protection, are not such as to render an effective and timely aid to the industries.

Progress Under Discriminating Protection.

The Indian Tariff Board examined about fifty cases referred to it between 1924 and 1939 and as a result of its recommendations, protection was extended to a number of industries, such as iron and steel, cotton, sugar, paper, matches, and heavy chemicals. Aided by protection most of these industries have greatly developed. The table below, which records progress of protected industries between 1922-23 and 1939-40 in terms of production figures, bears it out.

| Year. | Steel Ingots (thou- sand tons) | Cotton Piece Goods (Milli- on Yds). | Sugar from Cane (thou- sand tons). | Matches (Gross in Lakhs) | Paper (thousand tons). |
|---------|--|--|---|--------------------------------|------------------------------|
| 1922-23 | 131 | 1,725 | 24 | 8 | 24 |
| 1939-40 | 1,070 | 4,013 | 1,242 | 220 | 70 |

The development of match and sugar industry was so rapid that by 1939 the country had become practically self-sufficient with regard to these two commodities, while partial self sufficiency was reached in case of cotton, pig iron, steel and paper. That the protective tariff had a great hand in the growth of these industries cannot be denied.

Imperial Preference within Protection.

Only after a few years of the adoption of the policy of discriminating protection a new development in the form of Imperial Preference, took place in the general frame work of the Indian Tariff which has considerably complicated the fiscal situation. Imperial Preference, in the words of Baldwin, means "the expansion of Empire Trade brought about as far as possible by the lowering of tariff barriers as between the several members of the Empire." So far as India is concerned the question of Imperial Preference was first considered by Lord Curzon's Government in 1903. It was rejected on numerous grounds. It was held that the character and direction of India's trade were such that the adoption of preferential tariff would lead to fall of Government revenue on the one hand and of exports on the other. Another important consideration which weighed with the Government was the fact that India was a debtor country and that the major portion of her net annual obligation to England were secured by an excess of exports over imports in her trade with non-empire countries. As such there was a real danger of reprisals. This opinion was again repeated in the India Office Memorandum submitted to the Colonial Conference of 1907.

This question again came up before the Indian

Fiscal Commission, which in the first instance did not find any great alteration in the conditions of India's foreign trade, so as to suggest a change over to a system of preferential tariffs. It went to the extent of remarking that it would not be proper "that India should be called upon to bear an additional burden on top of discriminating protection, for furtherance of interests which are not primarily Indian". But strangely enough the Fiscal Commission ultimately, suggested a system of 'discriminating preference' governed by the principles of : (a) the approval of the legislature, (b) maintenance of required protection of Indian industry and (c) avoidance of appreciable loss to India on balance.

Along these lines preference was granted, without any *quid pro quo*, to imports of British steel in 1927 and textiles in 1930. Then came the Indo-British Agreement, popularly known as Ottawa Agreement, in 1932, for a period of three years. The agreement provided for the grant of preference of 10 per cent on a large number of commodities imported into India from Britain and in the reverse direction Britain was to grant India in most cases a 10 per cent preference on several goods. In 1935, a supplementary agreement was signed between India and U. K., amplifying the 1932 agreement and granting further privileges to the British industry in India. This led to a great agitation in this country. The Legislative Assembly in 1936 severely criticised the provisions of the Agreement and recommended that the "Ottawa Agreement be denounced without delay and that instead of allowing bilateralism to be restricted to the Empire countries, it should be given a full scope by reciprocal trade arrangements with

various other non-Empire countries, with which India had long standing and growing trade relations". The Government, however, extended the period of agreement to enable mutual negotiations to be carried on. The negotiations between the two parties went on for about three years, when a Bill was presented before the Assembly in 1939. The House rejected the bill *in toto*, but it was certified by the Governor-General and later on put into force in the teeth of opposition of the legislature.

For want of space it is not possible to comment on these Agreements, but there is no doubt that the inroads made by preference did not neutralise, to some extent, the benefits of discriminating protection. The inclusion of India in the orbit of Imperial Preference against her will, is a clean proof, if any proof is needed, of the fact that the fiscal freedom granted to India was only in name. The Indian tariff policy continued to be greatly influenced by Manchester Capitalists upto the out-break of the War in 1939.

Effects of World War II.

The advent of the World War once again brought out the basic defects and weaknesses of our industrial structure. Our deficiencies, particularly in respect of heavy chemicals, locomotives, automobile, engineering, machine-tools and such other industries were fully exposed. The absence of these key and heavy industries stood in the way of India's War efforts. The problem of Indian industrialisation, therefore, came to the forefront. It began to attract more and more attention of the Government, as the growth of certain industries in the country became highly essential for the successful prosecution of the

war. This aspect of war-time industrialisation was strongly emphasised both by the Roger Mission and the American Technical Mission.

Led by this war-time necessity of starting some new industries and expanding certain old ones, the Government of India in 1940 announced its intention to "liberalise" the conditions of protection. It also assured the 'War-babies' of adequate protection in the transitional period after the war.

To fulfil the above promises an interim Tariff Board was appointed in 1945 to examine the claims of various industries for protection. The terms of reference to the Board were akin to the conditions laid down by the Fiscal Commission, which reported about a quarter of a century ago. Since then radical changes had occurred in the circumstances and needs of the country, but no definite indication as to the general pattern of protection in the light of greatly altered circumstances was made to the Board. Moreover, there was also the lack of a definite programme of industrial development. All these rendered the Board's approach to the problem of industrial protection highly individualistic and narrow.

While recommending particular industries for protection, the Tariff Board have very rightly emphasized the need for reducing the cost of production in as short a period as possible. They have gone even to the extent of making concrete suggestions to the industries regarding the particular items of the cost in which reduction would be effected without injuring productive efficiency. In cases where the difference between the landed cost of imports and the local cost of production is very wide, the Board has recom-

mended a double mode of protection, viz., tariff-cum-subsidy, a weapon which has long been used in U.S.A. and other countries. But this Government, except in case of caustic-soda and bleaching powder industry, have been averse to granting subsidies.

In most cases where a tariff protection has been recommended by the Board, the rates of duty are to be at the same level as the existing revenue duties, viz., 30 p. c. *ad valorem*. In making this recommendation, the Board seems to have been influenced by the fear that heavy duties might lead to retaliatory measures on the part of other countries, and also by the fact that imports are likely to be small for sometime to come owing to over-all world shortage. Further, in most cases in which tariff protection has been granted by the Government on the recommendations of the Tariff Board, the period has been limited to the end of March, 1948 or 1949. This is certainly too small a period to create certainty in the minds of producers which is essential to enable them to take risks involved in industry, particularly in organising new lines of production.

From the list of War-time industries only two have been recommended for no protection, viz., butter colour and aerated water industries. A prominent case of refusal by the Tariff Board to recommend protection is that of the textile machinery industry. The reason given is that details for considering the claims for protection are not available because the industry as yet has not made any substantial progress. This actually amounts to arguing in a circle for in many cases a new industry is not likely to make substantial progress without a reasonable dose of protection. It is strange that such an

argument is put forward by the Tariff Board in respect of an 'infant country' like India. It is high time now to discard this narrow attitude.

As far as the established industries are concerned the Board recommended the removal of protection from cotton textile, iron and steel, paper and pulp. In case of sugar extension of protection for one year more has been recommended, while in case of textiles option has been left to the Government for levy of revenue duties until a more detailed enquiry is rendered necessary by any large scale revival of imports. The Government has accepted these recommendations.

Further the Tariff Board has been unable to ask for a removal of the preferences on imports from the United Kingdom. In most cases the existing preferences in the present rates of revenue duties are to continue even after the conversion of duties into protective duties. So the old anomalous position created by preferences still 'presists'.

The Future Policy.

Our position in this respect is quite clear. What is most needed to-day is a rapid and extensive industrial development in the country. No elaborate arguments seem to be necessary to explain or justify the demand for industrialisation on the part of India. The manifold economic and other benefits which will accrue to the country as a result of planned industrial development are very well known. To mention only some of them, industrialisation will help to create a balanced economy in the country. By withdrawing surplus hands from land, it will have the way for agricultural reconstruction and development. It

will create more of 'secondary' and tertiary employments in the country which is a well-known device for raising the per capita income. Additions to the national income, besides raising the standard of living of the common man, will increase the resources available to the state for financing schemes of social and economic improvement. Thus, briefly speaking, industrialisation is necessary for stepping up the economic structure to a high level without which, it must be emphasized, there can be no solution to our basic problems of phenomenal poverty and mass unemployment.

Now, if industrialisation is a matter of great importance to the economic progress of India, the question of tariffs needs careful consideration. We have seen how in the past industrial development in the country was hindered by a wrong tariff policy of the Government. Even after the award of the Fiscal Autonomy, our tariff policy did not become frankly national. It continued to be dominated by foreign commercial interests. All this must end in case we want to develop the country industrially. Our fiscal policy needs to be reconditioned so as to suit our special requirements.

In this connection there are a few things which can be put forward. In the first place, the formula of discriminating protection needs to be replaced by a more liberal and straight-forward formula. This is necessary because of the infant character of our country. What should weigh with us while formulating a scheme of industrial protection is the 'infant country' and not 'infant industry', argument. Secondly, its application must be made in a comprehensive manner. So far the application has been

in a very baphazard and piecemeal fashion. Finally, the tariff machinery and the procedure for protection also need drastic changes. The Indian Tariff Board should be a permanent body with statutory powers. Its constitution and functions should be such as to enable it to act quickly and effectively. It should make a continuous study of tariff changes, commercial treaties, trade movements, and prices in the world, especially those in which India is interested. In the light of these, it should suggest suitable changes in the Indian Tariffy policy, if and when considered necessary. To enable it to carry out these varied but highly essential functions, it is necessary that the Board should have full discretion in the performance of its duties. Much valuable experience relating to all these aspects is afforded by similar bodies in other countries, particularly those of the U. S. A. and Australia, which can considerably help up in erecting a suitable tariff machinery and procedure for the country.

In the end we must be clear in our attitude towards the demand for free international trade, a demand which is based on the unanswerable plea that a world economy built on an expansionist rather than a contractionist outlook on trade is, in the long run, the best for all countries. With this object in view an International Trade Organisation has been set up. Recently it met at Havana in November 1947 which was attended by 62 nations. The object of the Havana Conference was to take final decisions on the International Trade Charter drafted earlier at Geneva and to formulate an international trade code to raise the world's standard of living.

India is a member country of I. T. O. It is

undoubtedly necessary on the part of India to develop an international out-look in economic matters and respond to any reasonable appeal which may be made to her for economic co-operation with other nations. But all the same we must not forget the brutal facts of our deplorable economic stagnation. Ours is a backward and ill-balanced economy. As such we can, in no case, be a party to any concealed version of international *laissez faire*. Such a policy might easily suit industrially advanced countries like the U. S. A., but for India it would simply result in the perpetuation of the existing undeveloped economic structure. India as yet has much leeway to make in regard to economic development. She must, therefore, be given the right to afford reasonable protection essential for its industrial development, irrespective of current economic doctrines in industrially advanced countries. Not to concede to India and other backward economies of the world the right to use protective devices for developmental purposes will be highly unjust, particularly in view of the fact that the U.S.A. and every one of the industrially advanced countries have made ample and free use of protective tariffs and other devices to promote industrial growth throughout their economic history.

Miscellaneous

ECONOMIC PLANNING

Movement Towards Planned Economy.

Economic planning is the order of the day; it is the most popular slogan of the post-war world. Except for a few Von Hayeks, public opinion throughout the world is strongly in favour of a planned economic system. Internationalists and imperialists, nationalists and communists, conservatives and socialists are all agreed in the matter, though of course for quite different reasons. Even in such countries like England which have been the greatest champions of *laissezfaire*, the trend both in thought and action is towards a planned economic system. The important sections of public opinion in England are unmistakably in favour of "a coherently planned reconstruction of the nation's economic life, for readjustment of the social order as well as imaginative development of the land." In other parts of the world, including our land as well, a similar trend is noticeable.

The reasons for this ever-increasing faith in the institution of economic planning are not far to seek. In the first place, people all over the world have been greatly disappointed by the shortcomings of the present system of Free Enterprise. It has worked with great jerks and jolts, causing great discontent, injustice, unnecessary hardships and insecurity. The hope extended by orthodox economists that under a free individualist economy economic forces will automatically tend towards the point of equilibrium, which will also be the point of maximum satisfaction, has not at all materialised.

Adam Smith's "invisible hand" has miserably failed to bring about the desired objective automatically. This is due to the prevalence of imperfect competition in the real world, while the classical economists based their arguments on the assumption of perfect competition. Assumptions like perfect knowledge regarding market conditions, perfect mobility of the factors of production, identity of private and public welfare, on which the case for free economy is built, have only to be stated to be shown that they are not present in any conspicuous degree in the practical world. Hence its failure. There are, of course, some academic economists who even now emphasize the value of *laissez-faire* as a self-regulatory economic principle. "But the large masses of the public of all classes are definitely averse to the sluggish working of the doctrine, which, not unoften, entails in the process considerable misery to the people. They see that the principle of *laissez-faire*, although it may appear to be the best in pure theory, does not work out satisfactorily in practice and that the various forces at work in our economic activities lead to the emergence of vast monopolies' and such other restrictive institutions which totally upset the smooth working of the economic system, much to the surprise of the orthodox economists. The masses of mankind are, therefore, too eager to try a new system which can offer an escape from the uncertainties and the hardships which appear to be inherent in the existing economic order.

Secondly, the achievements of economic planning in the regions where it has been given a trial is also giving a great fillip to the movement towards planned economy. What Soviet Russia has

able to achieve through her successive Five-Year Plans from 1928 onwards is well-known to the students of Russian economic history. There, as a result of centralised planning, a new socio-economic order, free at least from some of the grave defects of an unplanned system, has come into existence. Recently "the war has proved what a closely kind economic unit she is, and what an integrated society she has welded out of her divergent masses of humanity. Success in war is, paradoxially, a measure of nation's economic strength, although war itself deflates standard of living on which alone welfare depends." Besides U.S.S.R., planning by the state has been tried by some capitalist and fascist countries as well, like the U.S.A., Germany, Sweden, Japan, etc., but for reasons different from those which underlie Soviet economic planning. And in practically each case, the objectives set forth were achieved with remarkable success. Sweden's New Deal, for instance, accomplished a twenty five per cent increase in real income within four years from 1932 to 1936, while Germany between 1932 and 1937 obtained a forty per cent increase in real income.

Thus in view of the above compelling and inviting forces, it is no wonder to find a rapid movement towards planned economy. Now it is being increasingly realised by people all over the world that it is only under a planned economy that a comprehensive development of the economic resources of a region can take place, and the perennial problem of unemployment and the recurrence of economic crisis can be eliminated. This is possible because under centralised planning, the rates of saving and investment can be readily adjusted to the level of

full employment.

What is Planning?

Economic planning has been variously defined by different writers. Without going into minute details, we may here define it as a conscious and deliberate control of economic environments with a view to the realisation of a determinable single end. It means an adjustment of scarce means to a given objective through a conscious and thoughtful direction of economic forces. That is, under economic planning the adjustment between supply and demand, instead of being left to chance or 'invisible' forces, is brought about by the working of production and distribution on a preconceived pattern. Planning presupposes, therefore, a sound knowledge of economic conditions, a definite goal for economic activity, and also a fixed period of time in which the goal is to be achieved. All this necessarily involves systematic centralised effort and the frank acceptance by the state of full responsibility for the protection of economic life. But this, of course, does not mean that economic planning and socialism are synonyms, or inevitably mixed up with each other. Socialism or Communism is not the *sine quo non* of planning. It is possible to have economic planning under every system of political organisation.

India's case for Economic Planning.

The need for a comprehensive economic planning in India is *prima facie* suggested by the low level of her economy and its deficit character. Any analysis of the manifold problems which confront the different sectors of India's economy cannot but reveal the dire urgency of planned action. Taking

agriculture first, we find that while it is the back-bone of our economic life and that nearly three-fourths of the people of India are directly engaged in or dependent on it, at present it is highly backward and primitive. The land system is unjust and iniquitous which leaves no impetus for the tiller of the soil. The number of people on the land is too large, under the pressure of which land holdings are getting smaller and more and more scattered. The progress of modern science has, in a way, by-passed Indian agriculture. The cultivator follows exactly the methods which satisfied his fore-fathers centuries ago. There is no adequate transport system, no proper grading, storage or standardisation of agricultural produce. Indispensable facilities like those of irrigation, manure, seeds, finance are equally wanting. It is then no wonder that as compared to other countries, agricultural productivity in India is ludicrously low. The economic loss to the country due to low yield is immense. The loss in respect of wheat alone is well explained by Sir Mac-Dougall in his note to the Central Banking Enquiry Committee, "If the output per acre in terms of wheat were raised to that of France, the wealth of the country would be raised by £669,000,000 a year. If the output were in terms of English production, it would be raised by £1,000,000,000...In terms of Danish wheat production, the increased wealth to India would be £1,500,000,000 a year" Similar estimates, if made, with regard to other crops where our level of production is comparatively low, the figures would indeed be staggering.

Keeping in view the deficiency in agricultural production relative to the requirements of a growing

population, the necessity of securing an expansion of production is quite obvious. That this is easily possible, no one can deny. All agricultural experts are agreed that the present development of India's agricultural resources is far below its full potentialities. Appreciable extension in cultivation is possible with the adoption of such measures as irrigation, drainage, land reclamation, soil conservation, erosion control, anti-malarial measures, etc. But this step can be effectively carried out only through a well-planned scheme. Apart from the scope for more extensive cultivation, the potentialities of increased yield from existing cultivation are considerable. It requires the application of new scientific knowledge to all the aspects of agricultural economy. But no improvement in the technique of production however welcome it may be, will alone constitute a solution of the problem unless extensive measures for the reform of the land system are undertaken. The existing land system lies at the root of the many deficiencies and drawbacks of Indian agriculture. It is leading to an accentuation of numerous evils in our agrarian economy such as absentee landlordism, further subdivision and fragmentation, greater sub-infeudation and an increasing number of 'uneconomic' holders, tenants-at-will and landless labourers. Hence the rationalisation of tenure, rent and revenue policy is an indispensable step to facilitate increased agricultural production and its equitable distribution. Equally indispensable is to devise effective means to reduce existing pressure on land and divert the surplus agricultural population to other channels.

Simultaneously the problem of sub-division and fragmentation of holdings needs to be tackled through consolidation of holdings and the introduction of

co-operative farming.

At the same time it is also necessary to deal with problems connected with improvements in marketing transport, finance, provision of better seeds, proper manure, extension of irrigation facilities, crop planning, control of pest and diseases, etc. An effective and simultaneous tackling of all these problems is necessary to convert agriculture from a deficit to a surplus economy and thus to rehabilitate this ancient and vital industry. But this can be rendered possible only through a coordinated planned action. The malady is too deep to be cured by isolated measures or by mere palliatives. Moreover, the reforms in agriculture do not admit of separate treatment. They impinge on the larger problems of the country. They can come only as part of a larger plan framed with due regard to other aspects of the national economy. Hence the need for comprehensive economic planning.

India's industrial system is equally defective and vulnerable. The Industrial Commission of 1917 after a very searching inquiry, summed up the industrial position of India in the following words: "The industrial system is unevenly, and in most cases inadequately developed, and the capitalists of the country, with a few notable exceptions, have till now left to other nations the work and profit of manufacturing her valuable raw materials or have allowed them to remain unutilised." The Fiscal Commission, a few years later, endorsed the above view and remarked that "the industrial development of India has not been commensurate with the size of the country, its population, and its natural resources." Since then, in a decade and a half a number

of industries have made considerable progress, e.g. cotton, sugar, jute, iron and steel, cement, paper, etc. Cement was produced for the first time in 1914 and now we find that foreign cement has been practically eliminated. The achievement of sugar industry is still more remarkable. From a position of complete dependence on foreign imports in 1931, India has become completely self-sufficient with an annual production of nearly 10 lakhs tons within the country.

Notwithstanding, however, the substantial progress made by certain industries it is true beyond doubt that even after a century of industrialisation, India is still a baby in arms in industrial production. The progress so far has been far from rapid or adequate, and whatever development has taken place, it is all mainly confined to consumers' goods industries. The chemical and engineering industries are universally recognised as the *sine quo non* of industrial development, but in India we have hardly yet made a beginning in these directions. We are dependent on foreign sources for the supply of basic things like chemical products, machinery, capital equipment and even spare parts. The absence of key and basic industries is a source of great weakness. In fact an industrial structure, without the support of heavy and key industries, cannot but be insecure and unstable; it is like a building raised on sand. Again, even in the sphere of consumers goods industries where some progress has been recorded, we find an over-multiplication of units in particular lines, and a comparative neglect of the other equally important lines. Similar is the case with regard to the regional distribution

of industries. There are vast areas in the country which, though suitable for industrial development, have not been developed because industry has tended to flow in particular channels. Such a lop-sided and haphazard growth of industrial system in our country is indeed very deplorable, particularly in view of the fact that our industrial investment is by no means great.

We need to repair, and repair very quickly, the above gaps and deficiencies in our industrial structure. What we need is an extensive but harmonious development of industries on a diversified basis. This will involve, among other things, the establishment of the basic and key industries, correction of the present uneven character of industrial system by rural industrialisation, consolidation and rationalisation of the big organised industries threatened at present by over-production, integration of large scale and cottage industries, etc. This will necessitate the provision of adequate banking and financial facilities and also the adoption of a suitable tariff and currency policy. Such a task obviously calls for planned action.

Similarly when we examine the existing organisation of the remaining sectors of India's economy, like trade, transport, banking, currency, public finance, etc., the need for formulating a comprehensive economic plan is irresistably impressed upon us. The banking structure of India is incomplete in several respects. It lacks homogeneity and cohesion. It is not sufficiently developed either to meet the requirements of our agriculture, or of trade and industry. With the exception of a few small concerns there are no investment trusts to

supply long-term finance to industries. Nor do we have an adequate number of land mortgagage banks to help agriculture. Leaving the Government postal saving banks, there are no specially organised savings banks to collect deposits from the middle and lower strata of society. There is also the lack of a comprehensive banking legislation in the country. The situation is further complicated by the presence of strong foreign banks which very often prove a menace to the progress of Indian banks. These are grave defects which require to be removed.

Transport is yet another sector which calls for planned action. At present, keeping in view the size and the requirements of the country, transport facilities are utterly inadequate. India has 41,000 miles of railways while Europe (excluding Russia) which is equal to India in size has about 1,90,000 miles. It is considered quite within the reach of the country to have the existing railway mileage doubled. Moreover, in the past the railway development did not take sufficient account of the markets and the centre of the production from the national point of view. This defect needs to be rectified by having a plan for railway development which will make easy not only the import of goods from outside but also the export of goods from the centre where they are produced. We also require a thorough overhauling of the freight schedules which in many cases are based largely on considerations extraneous to the industrial and agricultural development of India.

The position is similarly unsatisfactory in respect of other means of transport. Our road system is totally inadequate for modern conditions. The total length of the road in the whole of India is

approximately 296,438 miles representing 0.18 mile per square mile of the country and 76 miles per 100,000 of the population. As against this the road mileage per 100,000. of population is 2499 in the U. S. A. and 934 in France. "Road transport by its very nature touches the heart of the country and affects the well-being of the people at every town. In India, however, for the bulk of the population which is hibernating in villages, it is woefully deficient" Again, so far very little attention has been paid to inland water transport system, although as the cheapest means of transport, it admirably suits a poor country like India.

Air transport in India is rightly regarded as the baby of other means of transport, although here again India has exceptional possibilities for its development since her internal distances are very great and there is plenty of level ground on which aerodromes can be constructed, besides the inadequate nature of transport system in the country, we also find the lack of coordination within itself. Overlapping and uneconomic competition between the different means of transport, entailing enormous waste are a glaring feature of our transport system. All this happened due to the absence of planned development. What is, therefore, called for today is a comprehensive view of the whole transport system. We need more and better roads, railways, shipping, etc. but all these means of transport must be regarded as component parts of vital national service complementary to one another and not as independent and rival units.

The same necessity for a systematic and planned policy appears when we turn attention to our currency policy, and to questions concerning our

trade and public finance. In each case we come across several well-known gaps and weaknesses. But they need not detain us any longer since the point that we wanted to impress is already well-established, i.e., India's case for an economic plan.

To sum up the position so far, we find that existing economic structure of the country, besides being at a very low level, is highly defective. It is in a state of utter dis-equilibrium. The lack of balance between the different sectors of the country's economy has led to a serious economic deadlock which is steadily worsening due to the rapidly increasing population. The net result of all this is the phenomenal poverty in the land. The level of income in India is amongst the lowest in the world. The per capita annual income was estimated at Rs. 65 for British India in 1931-32 by Dr. V.K.R. V. Rao, while the estimate for the U.S.A. was Rs. 1046, for the U.K. Rs. 980, for Australia Rs. 792, and for Japan Rs. 210 for the same year. It is true that since then the national income of the country must have increased, but the increase in population, in price levels and costs of living has not been inconsiderable. So that the per capita income in the country can be taken to be approximately the same as was estimated sixteen years back.

This low figure of Indian income is not merely a monetary estimate, but is a true reflection of conditions of real income and standard of life in India. The masses in the country live a life quite unknown to the Western world. They fail to get even the barest minimum of life. It may look strange, but it is a fact that in spite of India being primarily an agricultural country, a large proportion

of the population does not get enough to eat. Dr. Radhakamal Mukerjee has estimated the deficiency in Indian food supply at 16 per cent. The per capita consumption of cloth is hardly 12 yards whereas the minimum requirements of clothing in India have been put at 30 yards by the National Planning Committee. Housing conditions are even worse, not only in the towns but also in the villages. The position in regard to other essentials of life is equally deplorable. If any further confirmation of the reality of Indian poverty is needed, it can be easily found in our vital statistics. The death rate in India is 33 per 1000 as compared to 11.2 in the U.S.A. and 12.4 in the U.K. The infantile and female mortality rates in our country are 162 and 24.5 per 1000. The corresponding figures for the U.S.A. are 54 and 8.5 respectively.

The extent of India's poverty is so great and so deep-rooted is the disease that its solution presupposes an all-round, well-planned and co-ordinated effort on the part of the authorities responsible for the well-being of the people. The experience of other countries also leads to this conclusion that systematic economic planning by the state is by far the most patent weapon for increasing prosperity, for reducing unemployment, poverty and debt. There is no reason then, why India should not immediately take recourse to comprehensive economic planning.

Essential as planning is, there is no one set plan to which all countries must necessarily conform. Every country must take full account of its conditions while preparing a scheme of planning. So should India do. "No generalisation based on the

experience of other countries, no wholesale or indiscriminate application of formulae found suitable elsewhere" aptly remarks Dr. Rajendra Parsad, "is going to solve our problems which are peculiar and yet universal." Instead of copying Western plans, whether of the capitalist or of the socialist type, we must evolve an indigenous plan with its roots firm in the Indian soil.

Objective of Planning in India.

Planning, as already explained, is a carefully thoughtout, purposive and properly co-ordinated utilisation of the resources of a region for the attainment of a predetermined end within a specified period of time. That is planning is a means to an end, and not an end in itself. It is, therefore, the purpose or the end that a plan professes to achieve which is of the essence.

What, then, should be the chief objective of economic planning in India? The fundamental aim to be kept in view is to ensure an adequate standard of living for the masses. The standard of living which planning is to ensure for the people should not be a vague thing; nor should it be merely a mathematical abstraction,—a mere average. It must be a concrete fact, defined in precise units of food, cloth, fuel, room-space, leisure hours, etc., actually realised and realisable by and for every individual in daily life and work. The ultimate objective of a plan for people's prosperity must be to promise to every citizen in the country, and not to a few selected citizens, the highest consumption level which the planned development of the country's resources would render possible. This should be the

sole test to judge the success of any plan. For welfare of the people is ultimately dependent upon the level of consumption. If consumption is satisfactory, both in terms of quantity and quality, people will be prosperous; if consumption is poor, they will also be poor.

To guarantee an adequate standard of living, implying a certain irreducible minimum, plus a progressive scale of comforts and amenities, to every citizen in the country is indeed a great task. Besides consumption planning with due regard to the actual and potential resources, the above undertaking "implies that (1) the total requirements of goods and services must be produced or imported: and (ii) that the guaranteed supplies must be made available within the reach of the individual in the physical sense and in the purchasing-power sense". The former relates to the vital question of Production Planning; and the latter to the problem of Distribution Planning.

As we all know the volume of production of a community is dependent upon (a) the quantity and quality of factors of production available and the manner in which they are utilised, (b) the technical knowledge of the community and (c) its social organisation and institutions. Obviously, the first step towards production planning is a comprehensive survey of the country's resources. After the necessary informations regarding the natural and economic potentialities have been collected, the Planning Authority should lay down production targets in each sphere. In determining the targets due attention will have to be paid to such relevant factors like the circumstances prevailing at any given moment, their

contribution to the growth of a balanced and stable economy, etc. For instance, it may be necessary at any given moment to attend more to defence industries as against other industries, or to capital goods as against consumers goods. But this of course does not mean that the need for other industries is to be wholly ignored or indifferently attended to over a long term of years. Lopsided development or dis-balanced growth in one sector at the cost of another has no place under planned economy.

For us in India the problem of targets and priorities is comparatively simple. We need a simultaneous advance in all sectors. Thus the development of both Agriculture and Industry, the extension of Irrigation, the increase of Electric Power and of the production of Coal, the improvement of Communications, and the raising of the level of Education Public Health and Social Security must all claim a share of our energies and resources.' Whatever be the branches of production,—agriculture, industry or public utility services,—our objective should be maximum production. It is with this end in view that the different problems which are, today, before us in the productive field have to be tackled. The all-important questions of land tenures, methods of cultivation, nationalisation and management of industries, foreign capital, etc. should be solved not on ideological or philosophical grounds, but on grounds of efficiency and expediency.

It needs to be emphasized in connection with production planning that the targets must not be looked upon as merely pious intentions. They should rather be taken as imperative injunctions. Adequate and appropriate sanctions must be provided

to ensure that, so far as may be, the targets laid down are actually attained. But it is likely that due to the operation of various bottlenecks in the form of scarcity of raw materials, skilled labour, capital goods, etc the nation's aggregate resources and its total needs may not balance at the initial stage. This should not, however, discourage us. It is the aim of planning to make good the deficit. Attempts should be made to tackle the bottlenecks and recourse may be taken to imports of these goods of which we are in a deficit as compared to our needs. At the same time, though it may sound ridiculous, proper attention must be paid to the planning of human material. It must be taken as an integral item in the plan. For no planning can succeed if the rate of economic progress is outrun by the rate of increase in population.

An crease in the volume of production, brought about by a systematic planning of home production and import will not by itself ensure an adequate standard of living for the masses unless it is accompanied by equitable distribution of the produced wealth among the people. Hence Distribution Planning must be treated as an integral part of economic planning for the people. It is only through this that the masses can be assured that what they produce would come back to them in adequate amounts. And it must frankly be admitted that without this assurance planning has no attraction for the teeming millions of the country.

This aspect of planning will be primarily concerned with three things, viz (i) quick and cheap movement of goods from production centres to the places of consumption, (ii) determination of fair

prices, and (iii) enabling the people to purchase the goods and services which form a part of the guaranteed minimum standard of living. This last one can be possible only when the people have adequate purchasing power, which in turn requires that they are gainfully employed. This is how the problem of Employment Planning comes in. The guarantee of an adequate standard of living necessitates the guarantee of employment to the working part of the population. Unless this is done, the establishment of a decent standard of living would remain merely a pious hope. The planning of production would certainly create a net work of economic activities for the people where they can get work. But if at a certain stage of the execution of the plan, some fail to get work, it would be the responsibility of the state to arrange for consumption subsidies during the period of unemployment.

In this way we find that in order to attain the objective of ensuring an adequate standard of living for one and all in the country, a systematically coordinated and simultaneous planning of all the sectors of economic life will be necessary. It will involve integrated total planning—Planning of consumption, of production, and of distribution. Such a course is indispensable because of the reason that the whole economic system is so closely inter-related and inter-dependent that an effective control of one sector is not possible without bringing under control the remaining sectors as well. Planning to be successful must be complete, thorough and all-pervading. Partial planning is no planning at all. It is worse than useless. "Either planning is a total war against people's poverty or just an empty,

mischievous slogan to soothe the depressed sections of humanity.''

Machinery for Planning in India.

The need for an effective and suitable machinery, devised for the fulfilment of the objectives as also for a check on the extent to which they are being fulfilled, cannot be over-emphasized. It is a necessary part of planning. In its absence, planning cannot go very far. But without minimising in any way the importance of a suitable machinery, we should at the same time remember that it is only a vehicle of planning and not planning itself. The type of machinery, which will be needed to give effect to the plan, will depend upon the purpose, the outlook and the ideological approach of the plan. But in no case can an ordinary Department of Government, with, its characteristic red-tapism, be entrusted with the task of carrying out comprehensive national plan. A new machinery shall have, therefore, to be devised for facilitating the taking of decisions quickly and also to ensure that their decisions are equally promptly carried into effect. Assuming that mixed economy, wherein state and private enterprise will be harmoniously blended, will be appropriate to the country's needs in the foreseeable future, a few words may be said with regard to the planning machinery which needs to be set up-

The task of the planning machinery may be divided into two principal parts: (i) formulation of the plan, and (ii) its execution and administration. On the formulative side, the main functions will be the survey of the existing position, the determination

of the general aims and lines of development, and the preparation of concrete schemes,—Blue prints. The formulative process will not, however, be ended when the Blue Print has been prepared, approved and provided for. No plan is and can be final if it is meant for a dynamic society where constant changes and new developments are ever taking place. These changes are bound to affect the different parts of the plan. It will be the function of this part of the planning machinery to take due note of such change and growth and make necessary adjustments from time to time so that the original plan may not get out of joint because of the new developments. The executive side of the planning machinery will be concerned with the (i) “drafting and enactment of legislation to give effect to the concrete schemes (ii) getting together competent and trained personnel to enforce legislation and execute the schemes, and (iii) check-up of the fulfilment of the plan at various stages”

To carry on these important tasks, it is necessary to create at the top a National Planning Commission, consisting of about half a dozen of the country's ablest men. To this Commission must be delegated supreme authority to take all decision necessary with the minimum delay. But in order to enable the Planning Commission to do its work efficiently and satisfactory, it will be necessary to set up a National Investment Trust, a Permanent Tariff Board, a National Scientific and Research Council, a National Fuel Resources Board, an Economic and Statistical organisation, and such other policy making bodies.

Since the implementation of the plans largely

depends on the Provincial Governments, suitable planning machinery will also be required in the provinces, more specially for keeping a watch on the progress made in the execution of plans. Besides Provincial Planning Commission, there is need to set up Special Boards of Development for particular regions on the lines of T. V. A. In each district, tehsil and village group planning officers, functioning directly under the planning section of the provincial department, should be appointed. Their function will not be to prepare sectional plans but "to take a broad general view of the problem of development for their own unit and to fit together into an integral whole all the sectional plans prepared for that unit by the organisation set up for that purpose". On these lines details of the planning machinery can be worked out. We should however, bear in mind that close co-ordination between the supreme planning authority at the top and the smallest unit at the base is indispensable to ensure unified action. That is, there is the need of planning the Planning Machinery, or else there would be huge waste of human and material resources.

Progress of Planning in India.

In conclusion we may briefly refer to the progress of planning in India. The credit for setting the ball rolling goes to Sir M. Visvesvaraya who drew our attention to the need and scope of economic planning in India. This vital work was, later on, taken up by the National Planning Committee appointed to prepare a detailed blue-print of a comprehensive plan for the economic development of the country. But due to caucuses, well-known to all of us, the work

of the Committee could not go far. The war broke out and as a result whatever enthusiasm was to be seen in the realm of planning disappeared. The country's resources were switched on to the war purposes without any regard for the ultimate economic development of the country. When, after a few years, war took a favourable turn from the view-point of Allies, post-war planning became the most fashionable slogan of the day. In our country, too, it began to arrest the attention of thoughtful persons. The interest taken by the people is evident from the publication of numerous plans and proposals for planning during this period, of which the Bombay plan, the People's plan, the Gandhian plan, and Reconstruction of India by Sir M. Visveshwarya, deserve special attention. The Government of India, jerked into activity by the pressure of public opinion, began also to pay some attention to this problem. The reconstruction Committee of Council was set up in August 1943 to deal with the question of planning of post-war development in India. But this did not advance planning by any means. It needed the publication of the Bombay plan in 1944 with its conception of over-all planning to rouse the Government from its torpor into an awareness of realities. This led to the creation of a separate Planning Department under Sir Ardeshir Dalal in 1944. He did put some speed into the slow-moving Government machinery and got certain things done in the face of numerous difficulties. As many as 29 Panels were set up to determine the lines as well as the extent of possible development in all the important industries and to make recommendations in this regard. Another important event was the announce-

ment of the industrial policy of the Government towards the end of April 1945. In January 1946 Sir A. Dalal resigned and a few months later the Planning and Development Department was abolished on the ground that "planning had now reached a stage at which it could be completed and implemented by the individual departments concerned". The planning of industries was transferred to the new, Industries and Supplies Department. In October 1946 the Advisory Planning Board was appointed to undertake a rapid survey of the field and to make recommendations regarding the co-ordination and improvement of planning, and as regards objectives and priorities and the future machinery of planning. The Report, which was published in 1947, contains enough valuable information on many of the important questions relating to planning.

So judging from paper planning India appears to have gone far but in reality nothing has been accomplished to this day. It must be frankly admitted that although some sort of planning has been going on in the central and provincial departments, the achievements have been simply disappointing. In fact if we look around us today in a realistic manner we will find that economic planning has ceased to be the live issue it was a year ago. The fever of planning has gone down. Popular interest has considerably decreased, giving place even to despair. The recent tragic events resulting from the partition of the country have pushed planning further into the back-ground. "Yet the whole question of planning is of such fundamental importance and is so deeply rooted in the daily needs of

a poverty-stricken people that it cannot remain eclipsed for long" What is needed now is to make people feel that planning is a real thing. This can, of course, be done only by deeds and not by words or promises.

THE CRISIS OF UNDER PRODUCTION

Economic Crisis

INDIA is swiftly heading towards a major economic crisis. The movement is so rapid that unless drastic and effective measures are taken to improve the situation immediately, the entire future of the economic development of the country will be seriously jeopardised; nay it will badly undermine the very foundations of society and the economic life of the country. Britain is also faced with a similar serious situation and we know the great steps which are being taken there to defeat the crisis. The Government is effectively mobilizing the resources of the country for this purpose and in this it has the fullest co-operation of the people who are prepared to fight the crisis with utmost courage and determination. All other problems have been relegated to the background for the time being. But when we look around us, we find nothing of the kind. The Government as yet has no practicable plans to meet the situation, much less an efficient machinery to execute them. At the moment the Government is highly preoccupied with the problems arising out of the partition of the country in the shape of communal riots, exchange of populations and so on. The people in the country do not seem to be alive to the great economic crisis. They are still devoting more time to politics than to economics—a matter of such vital importance even for politics. Such is the deplorable state of affairs obtainable in the country at present.

The Chief Cause.

Of the many forces which are contributing to

the present grave situation, the chief place must be given to the declining production in the country. In every sphere we find the level of production steadily going down. Let us take agricultural production first. The acreage under wheat declined from 35.7 million acres in 1944-45 to 34.5 million acres in 1945-46. The acreage under rice in Bengal decreased from 29.4 million acres in 1944-45 to 26.6 million acres in 1945-46. During the same period barley suffered a reduction of 126,000 acres and maize of 220,000 acres. The decline in the case of Jwar and Bajara has been of the order of 2.2 and 2.0 million acres. If we turn our attention to the crops out-put the same tale is to be told. This is clear from the following table ;—

(Output in 000 tons)

| | 1944-45 | 1945-56 |
|--------------------|---------|---------|
| Rice (Exo. Bengal) | 17,707 | 16,652 |
| Wheat | 10,458 | 8,882 |
| Jowar | 6,042 | 4,802 |
| Maize | 2,265 | 2,231 |
| Bajara | 3,002 | 2,744 |
| Barley | 2,312 | 2,115 |
| Bengal rice | 10,476 | 9,597 |
| Gram | 3,823 | 3,614 |
| | <hr/> | <hr/> |
| | 56,085 | 50,637 |

Thus as compared with war time figure of 56 million tons of the principal food grains we have to-day a deficit of 5 to 6 million tons. This is so despite the much trumpeted 'grow more food' campaign and the Central Government's programme of Action

relating to agricultural improvement and the progress. It is, of course, true that in agriculture nature plays the predominant role, and a considerable part of the above decrease is due to natural forces. But it must be admitted that even in those sectors of agricultural economy where, through the progress of scientific knowledge, the human factor has taken the upper hand, nothing substantial has been done. The Government issued last year a twelve page document promising the drawn of an agricultural millennium. As laid down in this new policy the cultivators were promised all possible facilities, goods and services necessary for increased production. But every thing was kept very vague. The document did not contain even one single target in any sphere of agricultural activity to be actually achieved within a fixed period of time. Consequently it failed to arouse any interest among the producers who had become tired of hearing policy announcements which meant nothing in real terms.

Industrial Production.

The production of industrial goods also shows a steep decline in the post-war period. Peak industrial production was reached in most cases during the war. The average for 1946 was lower than war time average. The figures for 1947 show a still further decline. The production of pig iron which had touched the peak at 24 lac tons in 1941-42 dropped to about 14 lac tons. Steel production has gone down too below 9 lac tons as against a record of nearly a million tons. Sugar has fallen from 1,242,000 to 9,45,000 tons and cloth production is down by about 8 hundred million yards. Despatches of coal which averaged 2.1 million tons per month

in 1942 fell to 1.9 million tons in 1946 and are round about the same level today. Electrical energy sold for industrial purposes has fallen from 194 to 177 million units. The table below illustrates the present position as compared to previous years.

| | 1938-39 | 1945-46 | 1946-47 |
|---------------------------|---------|---------|---------|
| Pig Iron (thousands tons) | 1576 | 1406.2 | 1364.4 |
| Steel Ingots „ „ | 978 | 1299.9 | 1199.3 |
| Finished Steel „ „ | 932 | 1338.2 | 1160.3 |
| Cement „ „ | 1512 | 2145.8 | 2016.3 |
| Jute Manufactures „ „ | 1205 | 973 | 1042 |
| Coal „ „ | 25000 | 26489 | 26218 |
| Paper „ „ | - | 69.8 | 62.3 |
| Cotton piece goods | | | |
| Million yards „ „ | 4268 | 4651 | 3863 |
| Petrol „ gallons | 19.8 | 22.9 | 21.29 |

The above table is self-explanatory. Except in the case of jute manufactures the figures uniformly indicate a decline in the post-war years.

Its consequences : Scarcity.

The inevitable consequence of this fall in production has been a growing shortage of goods and a steady rise in prices. There is at present a great scarcity of almost every essential commodity. The shortage in foodgrains had reached a very critical stage and in certain parts of the country mass starvation was feared during the last months of 1947. The cloth position is equally serious. Before the war India was already the most sparsely clothed country in the world. But since then the cloth position has considerably deteriorated. The country is facing today an over-all shortage of 2 1/3 million yards of cloth calculated on the pre-war availability

of 16½ yards per individual. The total availability of cloth including hand-woven production for distribution among 420 million people is 4627 million yards in 1946-47 as compared with 6223 million yards for 380 million people in 1938-39. It gives a quota of roughly 11 yards per head but even this is not scientifically distributed. A considerable portion of this managed to escape into the black market. The racks of the retail dealers were usually empty for the honest consumers and as such there was wide spread discontent since cloth at control prices has not available. Housing is also getting scarcer every day, particularly in urban areas. Conditions relating to other necessary goods like milk, ghee, medicines, transport facilities, etc are in no way better. As a result of all-round scarcity of goods and services people are being put to great hardships and the public health is deteriorating.

Price Inflation. ✓

Another disquieting feature of the economy of the country, brought about by the declining production, is the rapid deterioration that is taking place in the price structure. Those who expected a fall in prices in 1946 from their inflationary war-time heights were utterly disappointed. Instead, there was continuous and considerable increase in prices during 1946. The worsening in the price position in 1946 was more marked than what took place in 1945 which included the last eight months of war and the first four months of peace. The deterioration in the price level is still continuing unchecked. In July last year there was general increase in prices over the entire economic field as compared with the prices prevailing in July 1946. Food articles which

stood at 248.2 last year advanced to 276.8 this year. The increase was particularly catastrophic in pulses which advanced from 306.8 to 520. Industrial raw material showed an increase of 74.9, oil seeds shooting up by 138.2. Even if we take month to month movement of price level we find that between June and July last year food articles advanced by 3.9 points, industrial raw materials 9.5 points, semi manufactured articles 5.3 points and manufactured articles 1.4 points. The prices of manufactured articles are comparatively stationary because only controlled prices are taken into official account, although considerable quantities are regularly sold in black markets.

This phenomenal rise in prices is mainly due to a steep fall in production, increase in demand brought about by an increase in the money income of Government, industrial and agricultural workers, and the failure of the central and provincial governments to enforce a defined price policy. It is interesting to note in this context that while the note-issue has remained almost the same as at the end of the war, prices have shot up considerably over the war-time figures. This shows that monetary factor is no longer a very important factor responsible for disturbing price situation.

This continuous rise in the price level is a matter of serious concern. It is causing great dislocation in the social and economic life of the people. Much of the labour unrest that we find today is because of this factor. In fact it is the greatest danger spot in the country's economic system and if this tendency is not immediately arrested there is every possibility of our price structure breaking

down as in China, thereby leading to utter economic chaos in the country.

It is therefore essential both in the interest of public welfare and social justice that steps should be taken to establish prices at reasonable levels. But we must remember that the rising price level is only a symptom. The disease is the acute disparity between demand and supply which has been brought about mainly by the crisis of under-production. So unless production is considerably increased, our efforts to arrest the soaring price level will not be successful. It is wrong to think that it is possible to control the economic machinery merely by making 'controls'. Let us therefore analyse the main forces which are leading to under-production, so that our fight may be concentrated on such forces with a view to save the country from a serious economic crisis.

Causes of Under Production.

The principle cause of the downward trend in production during the post war period has been the great labour unrest in the country. The year 1946 was characterised by serious and persistent labour unrest. As the year advanced the labour ferment increased in intensity and ultimately burst forth into a stike wave which was exceptionally furious in the months of March, April, May and July 1947. The strike fever afflicted almost all classes of workers. It attacked not only factories but also schools, Government offices, banks, railways, municipalities, post and Telegraphs, Police, Navy and Air-forces. The following figures show the total man-days lost in India since 1943 on account of industrial disputes.

| <i>Year</i> | <i>Man-days lost</i> |
|------------------------|----------------------|
| 1943 | 2,342,000 |
| 1944 | 3,447,000 |
| 1945 | 4,054,000 |
| 1946 | 12,285,000 |
| January to April, 1947 | 5,205,000 |

The number of man-days estimated to be lost in 1947 is much larger than those lost in 1946 or ever before. The figures regarding loss of production as a result of industrial strikes are not available, but there is no doubt that much of the fall in production is due to this factor. Even if some industries did not suffer from strikes directly, the cumulative effect of strikes in basic industries and dislocation in essential services gave a serious set-back to industrial activity. For instance the great postal strike disrupted production and marketing plans of the entire business community.

The industrial strike which has become today almost an every-day phenomenon is one of the inevitable aftermaths of the war. It is in a way a concentrated up-shot of six years of war and inflation. The average industrial worker is scared today by gloomy prospects of unemployment and rising cost of living. The hardships caused by the war on the working class have become more pronounced in the post-war era. This explains the back-ground of the present strike epidemic in the country. In this context we should not ignore the agitation and propaganda which are being carried on by certain politicians to gain popularity and mobilize public opinion to reach their objective.

48-hour week.

Another factor which can be held responsible for the loss in production is the introduction of 48-hour week. This reform was long over-due and is desirable in itself but unfortunately it has been timed to coincide with a period of acute shortage in production. It is true that after a certain time the fall in production on account of reduction of hours may disappear with the increased efficiency of workers, but it is bound to take some time before that result is reached particularly because of the existing inefficiency of other factors of production e. g. worn-out machinery, inferior quality of raw materials etc.

Disturbed conditions.

Communal riots and civil commotion are also contributing a great deal to the down-trend of production. Since the end of the war communal situation in the country has been steadily deteriorating. During the past one year India has seen the worst forms of communal riots, involving loss of millions of human life and property worth crores of rupees. Almost every important centre in the country has been subject to great human massacre, loot and arson for a considerable period of time. Its effects on production can be very easily imagined. It is estimated that the production of cloth and yarn in Ahmedabad was halved in July and August 1946 because of riots. But since then the situation has become much worse. Punjab had no parallel. There the economic system has become completely paralysed. This is bound to have very adverse effects on the economy of other areas. But what was more tragic,

the riot wave fast spreading to other parts of the country as well. Every new flare up is adding momentum to the vicious circle. Imagine all this happening in the country at a time when more and more of production is needed in order to avert a serious economic problem!

Scarcity of capital goods.

Still another cause of fall in production is scarcity of capital goods and their existing worn-out character. During the period of war the demands for replacement of worn-out machinery had to be postponed. The production continued to be carried on with the help of such tools and implements which under normal conditions would have been set aside. But as long as the war was on there was no other alternative. It was not possible to import the necessary capital goods and as we know the country does not itself manufacture them. After the end of the war there was naturally a great rush for obtaining capital goods. According to an estimate framed by the Government of India our requirements of capital goods in the first five post war years are of the order of about 600 crores of rupees on a conservative estimate based on present quotations. But inspite of the efforts of the Government in the form of abolition of the capital goods Registration, the establishment of India Supply Mission in U.K., nothing substantial has been achieved so far as capital equipment is concerned. The Industrial Delegation which went to U.K. in 1946 for this purpose also did not prove a great success. The industrialists are experiencing great difficulties in purchasing abroad the necessary tools and machines, e.g, harsh trade terms. rigging of prices by U.K.

manufacturers, inability or unwillingness on the part of British manufacturers, to quote firm prices for delivery etc.

Besides these, mention may also be made of a few other causes like inadequacy of transport to meet present needs, shortage of raw materials and defects in their procurement and distribution, supply and exchange limitations on the import of full requirements of industry, and paucity of technical personnel. All these have a great hand in the creation of the existing economic crisis in the country. Taking only the transport bottleneck by way of illustration, we find a very deplorable, even disgraceful, state of affairs. Facts amply prove that wagons in many cases are doing hardly half the mileage they did just a few years ago. Much of the capacity that is available is consumed by the movement of low rated goods in bulk. The position in respect of locomotives is equally worrying. About 35 per cent of the locomotives are over-age. The supply of wagons and passenger coaches continues to be inadequate, although its position is slightly better than that of locomotives. Surely all this is a great hindrance in the way of increased production.

Our Fundamental Problems

An attempt has been made above to show that the main force which is pushing India towards a grave economic crisis is the steadily declining production. But this is not to suggest that today we are better off in the matter of distribution. For even here we are experiencing crisis conditions. The existing system of distribution is highly unjust. Reforms in this field

are urgently called for, if we desire to improve the economic life of the masses. But even admitting this priority must be given to production. For unless we have water how can we quench thirst. So what the country requires today is goods and more goods. Increased production should therefore be our fundamental aim which must have the highest priority on our national programme. Every thing else must be subordinated to this objective.

But at present we find that there is a complete ignorance in the country about the economic apparatus. The average person in India does not appear to be alive to the great economic danger with which the country is confronted today. The labour leaders are talking of class war, exploitation of labour at the hands of capitalists. The workers think that all they need to do is to unite and strike for higher wages, forgetting that a mere increase in wages unaccompanied by increased productivity is worse than useless because it sets in motion a vicious inflationary spiral of high prices and high wages each trying to catch the other. The capitalists on the other hand feel that the scales are weighted against them. Certain actions and decisions taken by the Government in the past few months seem to have shaken their confidence. As a result a sense of uncertainty and insecurity has crept in their minds. Finally those who are in charge of governmental machinery seem to be busy in perfecting the art of talking big things from lofty platforms which in reality mean nothing. They talk about nationalisation, planning, price stabilisation, economic controls and the moment the talks are delivered they evaporate in air leaving no trace behind. For instance we have been hearing a lot

about planning but as yet we do not have any concrete comprehensive scheme for the development of even our known resources. The Government have no definite policy either in respect of production or prices or wages and even where some announcements have been made hardly any step has been taken to implement them. How does then the Government expect private enterprise for which there is a vast scope in the country to go ahead with their schemes in an atmosphere of such indeterminateness? Such is the chaotic state of our economy where labour is fast becoming irresponsible and capitalist unenterprising. If this trend continues, it will wreck out whole economic structure.

The Solution : Planned Production.

A stage has now been reached where action is more needed than words. Instead of issuing long statements, containing vague formulas which make confusion more confounded, the Government should without further delay put forth a workable and sound plan in the form of a blue print. It must tell the country in clear and exact terms what precisely is the existing state of affairs, giving intelligible figures regarding the extent of shortage in different sectors and the need for increased production. He must be told what each of us can individually do to beat the economic crisis. The Government should carry on a country wide campaign with the slogan "Produce more or we perish". If the approach is made in a right manner the popular Government can get every possible help and cooperation from the public. The lack of public support so far has been partly because of ignorance of the critical economic situation that has developed in the country and partly because of

the fact that the Government have been promising lavishly without fulfilling any of them. Naturally this is causing a great resentment in the country. The Government should now act. Mere announcement of policy will hardly create any enthusiasm. What is needed today is not merely the laying down of right lines of policy but their vigorous and forceful execution.

Well-planned integrated efforts are urgently called for to remove the various bottle-necks which are responsible for the decline in production. In this connection the Industries Conference, which met at Delhi in December 1947, has put forward a number of useful suggestions. To get over the transport bottle-neck this Conference suggested an increase in the movement of coal by the fullest use of the present wagon availability and making every effort to increase such availability and other railway facilities, provision of transport necessary for full production by reduction of less essential transport, rationalisation of time, power and wagon capacity and the fullest utilisation of road, river, sea and air transport. The Conference has rightly recommended the highest priority for the import of wagons and locomotives, and development of the existing capacity to the full extent. With regard to the difficulties of raw materials three things are suggested. First, special assistance should be given for increased home production of such essential raw materials, as steel, cement, caustic soda and other chemicals, light metals, etc. Secondly arrangements should be made for the imports of essential raw materials which are in short supply.

Foreign exchange difficulties will come in the way, but they can be overcome to a great extent by limiting less essential imports, by increasing exports, by arranging deferred payments and loans in cash or commodities. Thirdly, there is the need for planned utilisation of or rationalisation in the use of raw materials in critical short supply.

Again, as pointed out above, lack of competent technical personnel is one of the greatest difficulties in the way of carrying out a greater production drive in the country. This can be remedied to some extent by (a) the establishment of scientific and technical liaison officers abroad for the recruitment of competent technical personnel, and (b) the increase of facilities in India for the training of scientific and technical personnel.

Further, there is also the great need of installing new plants and working some of the industries on a three-shift basis. For new plants, the time has come when we should send a purchasing mission to America, England and other countries to purchase plants and machineries which are to be installed either by the State or by private enterprise. Under the existing world situation this work cannot be satisfactorily undertaken by individual industrialists. They lack proper informations regarding the availability of industrial plants in foreign countries and their prices. In the absence of competition this is sure to put them as well as the country at large to heavy loss.

For this purpose a Planning Commission needs to be immediately set up. Its main work will be to examine the resources, internal and external, and on that strength fix production targets. It will also lay

down the scope for state and private enterprise. The work of supervising, the execution of the plans thus prepared should be entrusted to a Ministry of Production in charge of a minister who must have enough practical experience of production. Under him should be appointed Directors for different industries. The Ministry shall guide and promote production with a view to reach targets within the specified time limit. It would be required to produce a balance sheet of its achievements periodically so that the country may know where it stands and in case of need people may be asked to put in extra efforts to make up the deficiency.

Industrial Truce.

Another thing which is urgently called for is some sort of industrial truce in the country until production is materially increased. Fighting on various economic fronts does not lead to more production. The different classes of people connected with production, industrial as well as agricultural, should be made to realise that the good of the country lies not in strife but in amity. "In the complex economic structure in which we are living a strike in an important industry is not merely a dispute between an employer and a worker but involves a stoppage of production which causes serious inconvenience to the community and in the case of basic industries, paralyses the productive effort of the community as a whole". The parties to an industrial dispute should realise this effects of their action. At this critical stage it is imperative on the part of labour and capital to give up their present hostile attitude towards each other which is greatly retarding the production of wealth in the country. They should declare a sort of

truce for some time and make their utmost contribution to raise production. For arriving at such a truce it is necessary for labour to demonstrate that it is as much aware of its responsibilities as of its rights. The workers are no doubt experiencing great hardships because of rising prices but the remedy for it is not further rise in wages *ad infinitum*. Labour stands to benefit only when with a rise in wages its purchasing power is also raised. This can be made possible only by stepping up production. Hence instead of pressing for large wage increases labour should turn its attention to production. The capitalists on their part should also exercise great restraint by not insisting on price increases with any and every increase in cost. They should allow profit margins to decline from the existing high levels and provide more amenities to labour. The Government should also work to bridge the gulf between labour and capital and thereby bring them nearer to each other. It must put down ruthlessly all factors standing in the way of increased production. Strikes, lock-outs, inefficiency and waste should be classed as scourages of national life and must be dealt with like-wise.

Effective controls.

It is true that by better coordination between labour and capital and active support by the Government production will considerably increase but taking into account certain bottlenecks to increased production like shortage of capital goods, the increase in production in the immediate future is not likely to be sufficient to meet the total demand. Till then it is therefore absolutely necessary to have strict and effective controls over essential commodities, prices, exports, imports, etc. At present one finds an intense public

dissatisfaction at the continuing of controls. This found strong expression in the last Assembly Session during Professor Ranga's cut motion on the subject where speaker after speaker declaimed against the inconveniences caused by various economic controls and the inefficiency and corruption in their administration. Certainly no one can defend the existing corrupt and ineffective controls. But from this one should not jump to the conclusion that the system of control must be abolished. The institution of control is an integral part of planned production. What is therefore needed for the present is a scientific and effective system of control. The Government should announce its determination to award deterrent punishment to those who are found guilty, be they high Government officials or industrial leaders or ordinary citizens of the state. Hoarding, black-marketing, speculation for high prices must be considered anti-national acts and those who indulge in them must be made examples of.

Finally, in order to effectively tackle the various bottle-necks it may be suggested that the Government should immediately set up a Production Board, under the Industries Minister, consisting of the representatives of labour, industry and Government which must be solely in charge of a greater production drive in the country. Obviously, it must have definite powers to handle all day-to-day questions which obstruct production.

To conclude, increased production is the only effective way to solve India's present economic ills. It is the bounden duty of the Government, industrialists and workers to do all that lies in their power to overcome the crisis of under-production.

INDIA'S FOREIGN TRADE

THE most distinguishable feature of India's foreign trade in the British rule had been the excess of exports over imports, which has been due to the payment of salaries and pensions of the British officials-civil and military—and to the invisible imports in the form of shipping charges, insurance premia, interest on and repayment of British capital invested in India and education expenses of our youngmen in U. K., etc. Our princes made pleasure trips to Europe which cost the country a handsome amount annually. The establishment of peace and order with the practical completion of British conquest of India by the middle of the last century and the improved means of communication and transport, particularly after 1869 when the Suez Canal was opened, accelerated the pace of India's foreign trade. Less valuable and bulkier articles began to pass through the Suez. Our ports were joined with the hinterland by railway lines which encouraged the export of raw materials and food-stuffs from the country and the import of cheap, standardized, machine-made goods of Great Britain into the country. The railway rate policy and the free trade doctrine further encouraged the tendencies.

During the First World War the country witnessed an abnormal rise in prices, fall in the quantum of trade, both import and export, cessation of exports to or imports from enemy countries, rigorous control over export trade, fluctuating exchanges, shortage of freight owing to the emer-

tion of enemy tonnage, heavy risks and charges due to the activities of sub-marines and capture of the Indian market by Japan and U. S. A. The Pacific Ocean was, however, safe and Japan and U.S. A. were both friendly countries. Imports from Great Britain and other European countries were replaced by those from the Eastern countries.

The signing of the armistice was followed by a short boom (1918-20) due to the shortage of supplies in all countries. With the removal of restrictions on trade and shipping, India's foreign trade, both export and import, increased considerably. While there was demand for Indian goods in the European markets, we placed heavy orders for machinery and consumer goods in great Britain and other countries not only to rehabilitate our worn out plants but to expand the existing works. The Tata Company launched their expansion scheme in 1917 and the Railways placed large orders for wagons and locomotives. Indian imports were considerably encouraged by the rising exchange rate which touched 2 sh. 11 1/2 d in February 1920. Attempts to stabilise the rupee at 2 sh., according to the recommendation of the Babington Smith Committee, proved futile and the precipitate fall of exchange resulted in heavy losses to Indian importers. The Secretary of State for India issued Reverse Councils to check the fall but excepting a heavy loss to the exchequer it could not give the needed relief to the trade.

The next two or three years were a period of adverse balance of trade for India. The fall in the purchasing power of the European countries and an unsatisfactory monsoon of 1920 were responsible for reduc-

tion in our exports. On the contrary our imports continued to expand with the result that there was a heavy balance of trade against India in 1920-21 to the extent of about Rs. 80 crores which continued into the next year when it amounted to Rs. 34 crores. The year 1922-23 witnessed a recovery in our trade and we had a favourable balance of trade to the extent of about Rs. 70 crores. By this time the foreign exchanges had established and the credit position of the European countries had improved with the settlement of the reparations question by the Dawes Scheme of 1924.

The next five years were a period of recovery for the world trade and the year 1928-29 was a record year both for our imports as well as exports. Then followed the economic depression which started in America but soon swept over the whole world. In this period every country put restrictions on free movement of trade and the quantum of world trade declined very considerably in the next quinquennium. A current of aggressive economic nationalism was visible everywhere. Bilateralism, quota restrictions, imperial preferences and trade agreements were the common features of this critical economic period.

India granted Imperial Preference to the British steel over the continental steel in 1927, and to the British cloth over the Japanese cloth in 1930. The Ottawa agreement was signed in 1932 and was forced on the country in spite of a vehement opposition in the Legislative Assembly. Large exports of distressed gold and silver were made in this period to balance our trade. In 1931 England went off the gold standard which served as a signal to

other countries to depreciate their currencies. The year 1934 may be said to be the beginning of recovery of trade and business activity after the depression. But it was followed by a little recession in the autumn of 1937 which spent itself by the end of 1938 or towards the beginning of 1939. These have been the ups and downs of our foreign trade up to the outbreak of the Second world war in September 1939.

The war gave new hopes to Indian traders and industrialists to make fortunes. They took their cue from the first war when, within a short time of opening of the hostilities, prices reached dizzy heights. This time the Government was more vigilant. They passed an Anti-Profiteering and Hoarding Act which checked the buoyancy of the markets. After a spurt of about 3 months the prices steadied down at somewhat higher levels. Our foreign trade did not suffer in 1939-40. Rather it made improvement, both in value as well as the quantum, over the figures of the previous year. The Government imposed all kinds of restrictions on exports as well as imports and an Export Advisory Council was set up in May 1940 under the chairmanship of Sir A. R. Mudaliar, the then Commerce Member of the Viceroy's Executive Council. The allies were fast losing ground, and practically the whole of western Europe fell at the feet of Hitler with the capitulation of France in June 1940. India lost the European market in cotton, groundnuts, oilseeds, jute and jute manufactures, coffee and hides. This loss of trade was estimated at Rs. 30 crores annually. To get alternate markets a mission, known as the Gregory-Meek Mission was

sent to the United States of America in July 1940. The report of this Mission was not very encouraging as the United States produced surplus cotton and was getting other supplies either from within or from South America. However, possibilities of increased exports of manganese ore and mica were indicated by the Mission.

The situation grew worse towards the middle of 1941 when Japanese attitude was growing more and more hostile to the allies. Her assets were frozen in August of that year and on December 8, 1941 she invaded the Pearl Harbour. Japan was our best market for raw cotton and pig iron. About half of our exports of cotton went to Japan alone. Large stocks were accumulated in the country and at one time it looked to be the best and the cheapest investment in this country. However, through the activities of the Indian Central Cotton Committee, acreage under cotton was reduced and more land was utilised for production of foodgrains. Our cotton mills used increasing quantities of Indian cotton and it was only in 1943-44 that the situation eased itself. The Jute industry has worked by fits and starts. The demand has not been steady. Hides and skins have been mostly used by our growing leather industry. Exports of oilseeds and oil cakes also declined to negligible quantities. Only tea from the old list of principal articles of exports, has always been in request during the war period and India has supplied very substantial quantities of it to the allies. The following table will give the reader an idea of the extent and nature of our foreign trade before and during the war-time:—

Figures in Crores of Rupees.

| | 1938-39 | 1942-43 | 1943-44 | 1944-45 | 1945-46 |
|---|---------|---------|---------|---------|---------|
| Imports | 152.33 | 110.44 | 117.77 | 200.98 | 240.61 |
| Exports including foreign mer- chandise | 169.19 | 194.96 | 209.99 | 227.73 | 263.86 |
| Total Foreign Trade | 321.52 | 305.40 | 327.76 | 428.71 | 504.47 |
| Balance of Trade | 16.86 | 84.52 | 92.22 | 26.75 | 23.25 |

Nature of Trade for the same Period.
(In crores of Rupees)

IMPORTS

| | 1938-39 | 1942-43 | 1943-44 | 1944-45 | 1945-46 |
|----------------------------|---------|---------|---------|---------|---------|
| Food, drink and tobacco | 24.00 | 7.62 | 7.08 | 18.84 | 22.20 |
| Raw materials | 33.18 | 51.93 | 64.08 | 117.26 | 116.60 |
| Manufactured articles | 92.76 | 49.54 | 44.94 | 62.47 | 97.50 |

EXPORTS

| | 1938-39 | 1942-43 | 1943-44 | 1944-45 | 1945-46 |
|----------------------------|---------|---------|---------|---------|---------|
| Food, drink and tobacco | 39.23 | 47.23 | 47.25 | 49.55 | 58.40 |
| Raw materials | 73.22 | 42.76 | 44.63 | 45.34 | 84.80 |
| Manufactured articles | 47.57 | 95.37 | 104.79 | 112.86 | 114.70 |

On a critical review of the nature of our foreign trade during the War years we find that our imports of manufactured articles declined from Rs. 92.76 crores in 1938-39 to only Rs. 44.94 crores in 1943-44. But since then it has steadily improved so much so that in 1946 (January-December) it reached the

unprecedented figure of Rs. 145.41 crores and comprised 55.4 per cent of our total import trade on private account. Another feature to note in the import trade is the appreciable increase in the value of imports of raw materials. But this tendency has been checked and in 1946 our imports of raw materials amounted to only Rs. 76.60 (29.2 per cent of the total imports) as against Rs. 128.05 (or 54.0 per cent in 1945). The first item on the list, i. e., Food has been the most important item in the last two years. But the figures given above do not include import of food on Government account. It is estimated that in 1946 our import of Foodgrains on Government account were over Rs. 100 crores and probably the figure will be still higher for 1947. Thus we may conclude that excepting the import of foodgrains on Government account our import trade is returning, on the whole, to the pre-war pattern in which India imported more of manufactured goods than food or raw materials.

On the export side India has definitely gained in the export of manufactured articles, because of cessation of supplies from Japan and the European countries. Further India has not been able to export appreciable quantities of foodgrains and raw materials. The most important items on her export list were raw and waste cotton, jute, oilseeds, hides and skins and tea. Excepting tea, we have lost ground in every other item. On the other hand exports of cloth has increased over the pre-war figure. In fact, it would have gone up much higher had we been able to step up our production. Therefore, it may be concluded that unlike the import trade the export trade has not yet reverted to the pre war pattern.

Direction of Trade.

During the War years there were considerable changes in the direction of India's foreign trade. With the occupation of European countries by Germany in the first year of the War, trade with most of the European countries stopped except through Government agency. The Pacific countries were over-run by Japan in 1942 and, therefore, our trade in the Pacific was also disturbed. However, India's trade with Central Asiatic countries, United Kingdom, Australia, Canada, Ceylon, South and East Africa and the United States of America increased very considerably. We had a very large favourable balance of trade with the Empire countries and the U. S. A. up to 1945. During 1946 our imports from Empire countries exceeded our exports so much so that the favourable balance of Rs. 40,10 lakhs of 1945 was turned into an adverse balance of Rs. 8,20 lakhs in 1946. Another notable change in the direction of our trade in 1946 is the negative balance with the United Kingdom to the extent of Rs. 30,84 lakhs, compared to a positive balance in 1945 of Rs. 13,59 lakhs. It is due to cent per cent increase in the value of our imports from the United Kingdom in the year 1946 over the previous year. In the case of non-Empire countries the important change is the reversal of our balance of trade with the United States of America. In the year 1946 we had a favourable balance of Rs. 23,66 lakhs as against a deficit of Rs. 20,36 lakhs in the previous year. This is a very satisfactory position in our foreign trade. The following table taken from the 'Report on Currency and Finance, (1945-46)' gives at a glance the direction of India's sea-borne trade :—

The Hon'ble Mr. C. H. Bhabha, late Commerce Minister in the Central Government, observed at the meeting of the Export Advisory Council at Bombay on the 8th Nov. 1947 that "if India were to continue to import essential food requirements and also the minimum requirements of capital goods, we will require another 125 to 150 crores of rupees per annum of foreign exchange in the course of the next few years. This figure does not, of course, take into account the loss of our export trade as a result of the partition, which has already been placed at about Rs. 25 crores. To this figure should be added the charges to be paid on account of our invisible imports—which we can place roughly at Rs. 45 crores. The total of these figures comes to about Rs. 200 to Rs. 225 crores. This is a measure of the deficit in our international balance of payments"

How then are we to earn foreign exchange to make these payments? Partly we may rely on our accumulated Sterling Balances but mainly imports must be paid for by exports. It is why Mr. Bhabha urged the necessity of finding out new articles and new markets for building up the country's export trade. But we may frankly state that no scheme shall prove successful unless we increase our agricultural and industrial production. This is the greatest handicap in our economic system at present. Our production of industrial goods has declined by about 25 per cent in the year 1946 over 1945. We are deficient in food even although every three persons out of four are engaged in agriculture. The best quality cotton and jute are produced in Pakistan, and India shall import for some years to come over 10 lakh bales of quality cotton and about 50 per cent of

jute from the sister Dominion. The remedy lies in increasing production in all sectors of our economy.

As regards the future of our foreign trade we can only say that it depends not only on our own economic development but on the economic development of the backward countries. The international Conference on Trade and Employment has drafted a Charter for international trade and full employment of the nationals of all countries, with special reference to the depressed areas. But the work of international institutions like this primarily depends on the spirit and integrity of purpose of the leading countries. In this connection the attitude of U. S. A. is the most important. Without her aid and liberal policy it is almost impossible to rehabilitate the war-ravaged economies of the European and Asiatic countries. Further, there is an apprehension that world trade may be clogged and cut up into zones owing to the growing misunderstanding and suspicion between U. S. A. and U. S. S. R. If this tendency is not checked it will lead to the revival of inter-war period economic jealousies and trade and tariff restrictions. Every thing is in a fluid state at present and the future trend of world Trade cannot be anticipated with accuracy owing to a number of uncertain factors.

India has a bright future if she can develop her economic resources and plan her export trade. An organization on the lines of the British Export Trade Research Organization is necessary to give a drive to our export trade. At present our production is insufficient even for our domestic needs. But it is necessary that we must spare some proportion of our products for the foreign markets and

stand by the foreign consumer in his need if we want to retain his goodwill and custom when normal conditions return. Japan and Germany have not yet been able to recapture their lost markets, and probably it may not be easy for them to regain their lost ground. India can easily acquire some of their markets in Asia and Africa, if our export trade is properly planned. We are of the opinion that the State should rigorously control imports and encourage exports of not only staple articles but of new lines for which demand has to be created in foreign markets. The offices of Trade Commissioners and Consuls should study the demands of our actual and prospective customers and pass on their researches to the trade and industry in India. An organization of the type of Indian Commercial Corporation (like the U. K. C. C.) should be set up under State patronage.

In the modern world marketing is being increasingly centralised under active State guidance and control. The United Kingdom Board of Trade is a living example of it. Wheat from Canada and dairy products from Denmark are purchased by the British Government on a national scale. Again, every industry should organize an Export Corporation which should carry on researches into the special problems of that industry. There has been little contact between the industry and State in the past except during the War period. Now that the country is free from the foreign yoke there should develop the closest co-operation between the two. A permanent Board of Trade should study the cost and price structures of important commodities that are meant for the foreign market. It must also ensure quality and a

fair price to the foreign consumer. All this can be possible only when the State takes a lively interest in organizing the export trade of the country.

INDIA'S FOOD PROBLEM

OF all the problems, economic and political, with which India is confronted today, the most urgent is the problem of feeding the country's teeming millions. True it is, that at present the country is pre-occupied on the refugee front, but even while the madness of communal frenzy spends itself, the people must continue to be fed. For food is the primary need without which freedom is meaningless; nay, life itself is impossible. A careful study of the past will reveal the fact that metabolism has been the main spring of high politics. The terrors and splendours of history are, in a way, stories of food. For instance there is considerable justification in saying that "had the feeding arrangements of Bourbon France given satisfaction the Bastille would probably never have been stormed, or had the steppes of Central Asia been able to feed all their rapidly breeding tribes, neither the Aryan nor the Moghal invasions of India might have occurred". On turning the pages of history we also find that culture and civilisation rapidly flowered in those areas which had plentiful supply of food. As such there is no disentangling of this theme from the future politics and economics of a country. The link between diet and destiny is very close and direct—a link which the leaders of India cannot afford to ignore.

Our food problem began to attract public attention only after the great Bengal Famine of 1943. Before the outbreak of the second World War neither the state nor the public gave any thought to this

vital problem. Although it was pointed out by experts that about 61 p.c. of the people were either "poorly" or "very badly" nourished, it was not given any serious consideration in any quarter. It appeared to be no body's concern to look at this problem with care and sympathy. Even the educated classes of the community failed to realise the full gravity of the situation. At any rate they made no constructive proposals for investigating the problem or for working out a plan for its solution. This problem was forced on us in all its seriousness only in 1943 when millions of people passed within a few weeks from under nourishment to extreme starvation. This dramatic collapse of the people proved beyond doubt that they had been living in a state of semi-starvation for years. They had no reserve of either health or food. As such, when the famine broke out, people could hardly offer any resistance. Their immediate collapse was inevitable. Since then about four years have passed, but famine conditions are still with us. In fact the food situation in the country has been deteriorating year after year with alarming rapidity. This year the food situation was reported to have reached a very critical stage and mass starvation was feared in many parts of the country. Dr. Rajendra Prasad told the countrymen that the position was "very grave" and asked them to be prepared for intermittent breakdowns in rationing. At the moment the country is carrying on perilously near the danger line, especially in Rajputana, South India and the East Punjab. Drought in the west, floods in the east, riots and vast population movements in the Punjab, crop diseases early in the year, world shortage leading to failure to secure sufficient imports

are some of the immediate factors for the grim food situation in the country to-day. This is bound to have a very serious effect on the life and efficiency of both the present and future generations. The physical, moral and spiritual well-being of a nation is vitally dependent on its satisfactory food supply. As such India cannot be a first-rate nation, if stomachs are hungry all around. Besides this, it must be remembered that food is a high explosive, and the politics of hunger is a powerful breeding ground for revolutions. Hence for the very stability of the Government and for maintaining peace and order in the country, it is necessary for the administration to ensure that the public is adequately fed. Again, the immediate solution of our food-problem is necessary because it is giving rise to a number of complicated problems in the field of currency, import restrictions, and frittering away of sterling balances. Finally, even from the international point of view, the solution of this problem is urgent, because a half-starved India will ever be a potent danger to the peace, prosperity and happiness of the world.

Is the shortage Real ?

There are some who are still under the illusion that normally India produces more than enough food for her inhabitants. They put forward the the hoary old argument that since 73 p. c. of the people are agriculturists, it is impossible for the country to run short of food. Prior to 1939, they say there was plenty of food in the country. One who had money could purchase any amount of food-grains. So if there was any famine it was a famine of money but not of food in India. They

also draw our attention to the fact that considerable quantities of foodgrains used to be exported from India before the last war broke out. This serves to show that her food production was surplus to her needs. Hence according to this point of view the present food shortage is merely a passing phase, a product of war-time conditions. It, therefore, needs, to be treated likewise.

The Uncomfortable Facts.

The above is not a correct analysis of our food situation. The existing food crisis is in no way a war symptom or a temporary phenomenon. It is absolutely a wrong diagnosis of the disease, and if the treatment begins on this assumption it is bound to be disastrous for the patient. The truth is that even before the war India was not self-sufficient in the matter of internal food supply. Going as far back as 1880 we find that there was at best doubtful surplus of 5 million tons of foodgrains in the country. This follows, from the statement of the Famine Commission of that year which placed the output of food grains at 52 million tons and consumption at 47 million tons. Since then population has increased by more than 150 millions, but there has not been a proportionate increase in the production of foodgrains. In 1914 the Prices Enquiry Committee emphatically declared that "population has increased by a larger percentage in the period under enquiry (1890-1912) than either the total area under cultivation, or the area under foodgrains, or in other words the requirements of foodgrains for internal consumption have increased in a larger proportion than total production of food grains". This shows that whatever little surplus was available in the

eighties of the last century that must have been swallowed up by the increasing population even before the World War I broke out. At the same time we must remember that the growth of population till the first world war was not so rapid as it has been afterwards. Since 1921 there has been a phenomenal increase in India's population. Between 1921 and 1941 the population increased by more than 83 millions,—a staggering figure, indeed. Unaccompanied by any substantial increase in food production this must have deteriorated the food situation in the country still further. Before 1939 India was a net importer of foodgrains to the extent of about 1½ million tons. A reference to relevant statistics will prove it beyond doubt.

The following table traces the growth of population and area under cultivation in British India during the first three decades of the present century:—

| | | Population | | Average area cultivated | | |
|------|-----|--------------------------------|--------------|-------------------------|-----------------------------|--------------|
| — | | Popula- tion in millions | Index no. | Period | Area in million Acres | Index no. |
| 1901 | ... | 231.14 | 100 | 1901-10 | 209.37 | 100 |
| 1911 | ... | 243.79 | 104 | 1911-20 | 221.35 | 106 |
| 1921 | ... | 246.85 | 111 | 1921-30 | 225.95 | 108 |
| 1931 | ... | 271.53 | 117 | 1931-34 | 229.71 | 110 |

This shows that the area under cultivation has not been keeping pace with increasing population. The situation further deteriorated during the last

decade which is borne out by the following table :

| | | Area under Chief grains and pulses (Million acres) | | | Yield of Foodgrains and pulses (million tons) | | | Population in Millions | |
|---------------|-----|--|-------|--------------------------------------|---|-------|--------------------------------------|---------------------------|-------|
| | | Rice | Wheat | All Food grains & pulses | Rice | Wheat | All Food grains & pulses | Year | |
| 1929-30 | ... | 66.5 | 24.7 | 155.9 | 25.5 | 8.9 | 49.1 | 1931 | 256.9 |
| 1939-40 | ... | 70.1 | 26.1 | 158.2 | 24.6 | 8.9 | 47.2 | 1941 | 295.8 |
| Percentage | | | | | | | | | |
| (+) Increases | ... | +5.6 | +5.7 | +1.5 | ... | ... | ... | ... | +15.2 |
| (-) Decrease | ... | ... | ... | ... | -3.7 | ... | -8.9 | ... | ... |

These statistics clearly show that despite an increase of 1.5 p.c. in the area under foodgrains and pulses during the last decade, there was a decrease of nearly 4 p.c. in the total production of food grains, while the population increased by over 15. p.c. ; that is, in the race between the increase in food supply and population, we find the former increasingly lagging behind the latter. Taking 1931 as the basic year, index of population in 1941 rose to 115 whereas that of food declined to 96. Such was the distressing food situation in the country at the beginning of the present decade.

Sir Johan Megaw's Inquiry.

This uncomfortable story regarding the normal food shortage in India and the extent of suffering to the people resulting therefrom is very well revealed in a report published in 1933 by Sir John Megaw, the Director General of the Indian Medical Service. The report was based on the elaborate enquiry conducted by about 600 doctors under Sir Megaw's

direction. The investigation shows that India has a poorly nourished population. Only 39 p.c. of the people are 'adequately nourished', 41 p.c. are 'poorly nourished' and the rest 20 p.c. come under the category of "very badly nourished". From the report we also find that in nearly 40 p.c. of the villages the population was excessive in relation to the food supply and that the periods of famine or food scarcity have been occurring in one village out of every five during a ten year period in which there has been no exceptional failure of the rains. "If the entire produce of the soil" remarked Sir Megaw "is needed to provide for the urgent needs of the cultivators nothing will be left for the payments of rents or revenues, nothing to exchange for other commodities or even for the purchase of railway tickets and the whole social structure of India must inevitably be rudely shaken if not completely destroyed". The Bengal Famine in which millions died within a few weeks gave a tragic proof of the correctness of the above survey. And even if now people continue to be deceived by the mirage of plenty, it is indeed tragic.

A word about the much advertised bogey of India's exports of foodgrains before the war which is taken as an index of surplus food supply in the country. It is true that India used to export a certain quantity of foodgrains prior to 1939. But in this context we should note two things. First, the relation of these exports to total production. In 1938-39 wheat exports represented 2.8 p.c. of the Indian crop, while rice exports were 1.2 p.c. Thus it shows that if at all any surplus position was indicated by the exports, it was very nominal. Any

slight increase in internal demand or a variation in crop was enough to wipe out the surplus altogether. Moreover these exports mostly occurred only when the world prices were very tempting. That means there was no permanent surplus which sought an outlet at any price. Secondly, we must take into account the huge imports into the country. For example in 1938-39 when India exported 742,000 tons of foodgrains, she imported 1,603,000 tons of food from abroad. During the five years ending 1941-42 the average annual net imports amounted to over 1,000,000 tons. In terms of money, it means that India was spending more than Rs. 13½ crore a year on buying food from abroad. From this also we find that before the war India was not self-sufficient in food, a small exportable surplus of wheat being offset by large imports of rice.

To sum up the position so far, it can be stated that there was an increasing food shortage even before this war broke out which led to a great amount of under and ill-feeding in the country. But unfortunately the problem was always considered as one of poverty. Much of the misconception that we find today about our food problem is because of this. It is, therefore, necessary that people should get rid of this false notion that there is plenty to eat in the country. Food shortage is real and must be considered as a normal feature of Indian economy.

Methods to Remove the Deficit.

Granting that there is less food and more people to eat, the question is: how can we meet this shortage? One way to bridge the gap between

demand and supply is to import the required food grains from surplus producing countries of the world. In fact this is what we have been doing for the past several years. During the three years ending with 1946-47, India imported 43.80 lakh tons of food grains from abroad. But we find that the world itself is faced today with a serious food shortage. The World Cereal conference which met at Paris on 9th July, 1947 revealed that the requirements of import countries exceeded supplies from export countries by nearly 18 million tons. Of this world deficit of 18 million tons, India's deficit is of the order of 4.5 million tons, that is 25 p. c., which clearly demonstrates the magnitude of our deficit *vis-a-vis* the world deficit. The position regarding rice where India is vitally interested is even worse. As against the pre-war annual exports of nearly 7.8 million tons, world supplies of rice available for export in the current year are hardly 2.18 million tons. These scarcity conditions are not likely to disappear in the immediate future. Recently the United Nations Food and Agricultural Organisation stressed that the world food prospects for 1948-49 were as "unfavourable" as they were in 1947-48. Thus it is quite obvious that India cannot continue to rely for assistance to any great extent on foreign imports.

But even if the world supplies were adequate to meet the demands, it would react very adversely on our future economic development were India to continue importing high priced food from abroad year after year. In 1946 the grain imports cost India about Rs. 100 crores, and there has been hardly any improvement this year. During the current year from April to September we have already imported

10.62 lakh tons of foodgrains at a cost of over Rs. 42 crores. Since September many more ships loaded with foodgrains have reached India. That means the total bill this year is not expected to be less than that of last year. Can India, on the threshold of vast schemes of industrial development, afford this colossal drain? Certainly not. It is too heavy a sum for a poor country like ours. Such imports can only be at the cost of our balanced economic development. For we know that the greatest single factor which is arresting our economic progress is the shortage of capital goods. In the first instance these have to be imported from foreign countries because we do not manufacture them ourselves. For this we need considerable foreign exchange resources. But the country is short of foreign currency, and even the meagre exchange resources which are available to us, are being rapidly consumed by the purchase of food-stuffs abroad at fancy prices. As a result the country has been forced to impose the most stringent restrictions on the import of many other essential articles. This is sure to slow down our progress and cause a great damage to the economic structure of the country.

From what has been said above it is quite clear that the country cannot rely on imports to make up the food deficit. In the interests of the cultivator and the nation at large, the drain must be stopped. It will lighten the strain on the finances of the Government and to some extent will also reduce the burden of taxation on every class of people. Moreover, in a war-minded world it is exceedingly risky to depend on others for such a vital thing as food. We must, therefore, think of some other measures to remove

the deficit.

Grow More Food.

The correct solution to India's recurring food crisis lies in an increase in home production. Our objective should be to make the country self-sufficient in food supply. The various steps which are necessary for this purpose must get the highest priority. The present policy of sending food delegations abroad and begging other nations for their surplus cannot help us to any great extent. For, as already emphasized above, our problem is not one of short run implications only; it is the reflection of a long term maladjustment which can be removed only when the state adopts a bold and progressive planned food policy. The conditions which prevail today make it imperative on the part of the state to shoulder the responsibility for increasing the food resources and improving the diet of the people. The urgency for sound food policy for India has become much greater today on account of large surplus areas passing to Pakistan territory as a result of the partition. The important features of a progressive food policy for India may be briefly set forth.

More land under food.

One of the foremost things which a planned drive for increased production should aim at is an increase in the area under food crops. This can be brought about by (a) bringing new land, including fallow land under cultivation, (b) increasing the percentage of double cropped area, and (c) diverting land from non-food crops to food crops. As regards the utilisation of new lands, we find that about 116 million acres of land are classified as cultivable

waste. The proportion of such lands available for cultivation varies from province to province, but in no province excepting Bombay, the cultivable waste is less than 10 p. c. of the total area. This obviously offers ample scope for laying down a carefully planned land utilisation policy. Some, however, want to impress that much of this cultivable waste land is unfit for cultivation. They say so on the strength of the fact that inspite of increasing pressure on land the area under cultivable waste has not decreased to any considerable extent. This is, no doubt, a fact, but to draw such a conclusion from it is not justifiable. The chief reasons why cultivable waste lands have not yet been brought under plough are: lack of water and drainage facilities, unhealthy conditions, presence of deep-rooted grasses and weeds, low fertility of the soil, lack of transport facilities, and liability to damage by wild animals. Most of these require very heavy capital expenditure which an individual cannot undertake on his own account. But the state can successfully take up this task to the advantage of all. If the state follows a policy of rapid capital development, a greater part of these cultivable wastes can be brought under plough and be sown with foodgrains. This requires a careful study of the diverse problems of land reclamation, utilisation and the planning of a systematic coordinated attack through land engineering, drainage, irrigation, defensive vegetation and afforestation.

Current Fallow.

Coming to the area under current fallow which comes to approximately 60 million acres, India can ill afford such a luxury. A portion of the land, under the existing system, is left idle periodically to

give it rest in order to conserve fertility. It is, no doubt, true that with every cropping, there is some loss of material fertility. But the system of fallowing is a very crude and wasteful method for enabling the land to regain its lost fertility. The progress in agricultural science has rendered fallowing unnecessary for efficient cultivation. The objective can be better attained by intelligent crop rotation. In the west today, the fallow has been replaced by intertilled row crops such as corn, potatoes and roots. In dry farming lands a hay crop has been found to maintain the fertility of the soil.

Double Cropping.

The area of double cropped land is about 20 p.c. of the total cultivated area. The extension of the double cropped area will increase the food supply considerably. For success in double cropping two things are most essential—adequate irrigation facilities and generous manuring. The Provincial Governments can render great help in this field by granting loans and subsidies to the cultivators for the construction of wells, tanks, etc. But to avoid wastes and ensure maximum utilisation of the resources, all this should be done in a systematic and orderly way.

Increase in the Food Crop Area.

Food crops including fruits, vegetables, etc. cover nearly 79 per cent of the total sown area; the rest is under non-food crops. It is of interest to note in this connection that despite the decline in the per capita sown area owing to a relatively faster rate of growth in population, the per capita area under non-food crops has considerably increased. As a

consequence the acreage under food crops per head has materially declined. Besides this there has been a continuous increase in production of the inferior foodgrains at the cost of rice and wheat during the last 30 years, a tendency ominous for the general food position. Between 1910 and 1938 the production of bajra went up by 25 p. c. that of barley by 57 p.c., of jowar by 110 p. c, while rice registered an increase of only 35 p.c. and wheat of 4.2 p. c. Thus India not merely shows a deficit in the quantity of food production, but also a steady deterioration in the quality of her foodgrains. It is absolutely necessary to arrest this tendency of growing inferior foodgrains and non-food crops at the cost of wheat and rice. Agricultural research and propaganda should not be focussed upon the expansion of crops like rice and wheat so that these may take the place of inferior and less nutritive crops. Effort should also be made to divert lands from non-food crops to food crops. In case it is found necessary recourse may be taken to legislation by which some areas may be compelled to put certain portion of their holdings under food crops. In that case the growers of food crops should be guaranteed fair minimum prices. As an emergency measure over 9 million acres of land has been taken away from the cultivation of cotton and devoted to the production of cereals. But unfortunately the total yield of the country has not appreciably increased. The fault lies in the low productivity of our soil.

Raising the Yield per Acre.

Another and perhaps the most effective way of overcoming the food crisis is to increase the yield per acre for which there is immense scope. At

present the Yields of Indian Crops are very low as compared with those of other countries. The table below gives an idea of the vast difference in the yields per acre in India and abroad in case of two major crops, rice and wheat.

Corp Yields (lbs per acre).

| | | India | Japan | China | U. S. A. | Egypt |
|-------|-----|-------|-------|-------|----------|-------|
| Wheat | ... | 660 | 1717 | 989 | 812 | 1496 |
| Rice | ... | 988 | 3444 | 2433 | 2185 | 2076 |

The causes of this low yield are manifold, viz. deterioration of soils, inadequate and irregular rainfall, lack of good seeds and manure, small unit of cultivation, poor livestock and other equipment, want of adequate credit facilities, primitive system of marketing, outmoded systems of land tenure, etc. It is true that some of these defects need long term planning for their effective removal and as such they will take considerable time; and, as we all know to our terrible corp, time is the main factor. Yet there are certain things which we can do immediately.

Manures.

In the list of measures which are capable of being put into immediate effect, the highest priority should be given to the use of fertilisers and manures which will give our immediate substantial return by way of increased yields. Attempts should be made immediately to use better and more fertilisers to improve the yield of crops. It has been estimated that paddy yields go up between a quarter

and a half with the use of a maund of sulphate of ammonia per acre. Sir John Russel estimates an increase of $4\frac{1}{2}$ maunds in paddy, 3 in wheat, and 15 in potatoes. The use of other forms of manures also leads to striking results. So what is needed is that the Government should encourage the use of right type of manures and fertilisers by adequately subsidising them. In case it is found necessary fertilisers in large quantities may be imported from foreign countries. Along with this, the indigenous varieties should also be utilised. The farmyard manure should be saved from being used as fuel. For this it is necessary that all land under firewood trees should be exempted from taxation and the village organisations should be given the necessary facilities to collect and store firewood and other fuel.

Irrigation Facilities.

The question of manure is, however, intimately linked up with that of water. If adequate water-supply is not available, artificial manure will do more harm than good. At present only 54 million acres of agricultural land is irrigated. It is therefore absolutely necessary to direct efforts to the provision of adequate irrigation facilities in this connection there are certain steps which can be undertaken immediately to increase irrigation. To name some of them, wherever possible the construction of wells should start at once; dams should be constructed to collect the water of rivulets and rain-water streams; water should be pumped from lakes, rivers, and tube wells with the help of centrifugal pumps run by electricity, oil engines or gas engines. Full efforts should be made to avoid overdosage of water through proper guidance to the farmers. Further, in order that many more

cultivators may benefit by canal irrigation, the water rates should be lowered.

Improved Seeds.

Next comes the use of improved seeds. It must be admitted that seeds of better variety have not come into popular use. Hardly 10 per cent of the total area cultivated is under improved seeds. Attempts should be made to popularise the use of better quality seeds by supplying them to the farmers at reasonable prices or on loan. This alone will raise the yield by about 5 per cent.

With the help of above measures the food supply of the country can be immediately increased and the deficits of 4 to 5 million tons removed. Dr. Burns in his report on the 'Technological Possibilities of Agricultural Development' gives valuable information regarding the possibilities of increasing the yields of various crops in India. In case of rice, he points out, the yield can be increased by 30 per cent,— 5 p. c. by using improved varieties of seeds, 20 p. c. by increasing manure, and 5 p. c. by controlling pests and diseases. The yield of wheat in irrigated areas can be increased from 640 lb. per acre to 1200 lb. through better seeds, adequate manure and the control of damage done by wild animals and diseases. Similar possibilities of increase in other crops like maize, bajra, gram, etc. are also indicated. The Government should lose no time in giving effect to these suggestions. It is now the time when the Government Departments must cease to be mere ruling departments collecting revenues and administering rules. They must become live and active departments devoted to whole-hearted and unstinted service of the people.

Alternative Foods.

The question of alternative foods has not received the attention that it deserves. So far all the energies of the food administration and even those of the people have been spent on cereals, utterly neglecting the use of substitute foods. This is a great error which needs to be corrected at the earliest possible time. A new and fresh outlook is needed to explore the possibilities of substituting a part of our grain requirements by the use of green vegetables, sweet potatoes, fruits, meat and fish, etc. At present there is too much dependence on one or two cereals. Such a specialisation is highly risky and less nutritive as well. Efforts should, therefore, be made to bring about the much needed change in the dietary habits of the people. A well planned propaganda to instruct the masses about the nutritive value of different kinds of foods and an increase in the supply of substitute foods will lead us to this objective. The nutrition worker should consult the agricultural expert about the practical possibilities of the changes and improvements suggested in diet. So what is needed is 'the marriage of wealth and agriculture'. Only then it shall be possible for us to grapple with the problems of supplying food to India's teeming millions.

Conclusion.

To conclude this problem of people's food, it needs to be emphasized that the existing food shortage, which is threatening to become permanent, can be successfully removed provided there is the will and determination to do so. The achievements of Great Britain in increasing the internal food supply during

the war period should serve as an eyeopener for us. By granting adequate subsidies for making land improvements, for bringing old grass lands under efficient cultivation and through systematic planning to extend drainage, distributing costly fertilisers, eliminating pest and plant diseases, and by extending information and educational facilities, the United Kingdom has added 45 per cent to its area under cultivation and secured a 50 per cent increase in the output of cereals. If a similar production drive is launched here also, the stage of self-sufficiency in the matter of food supply can be easily attained. It can be expected of our National Government to give up the old tactics of the previous imperialist regime of announcing policies without moving an inch forward. Action, and not word, is needed at this critical stage in our history. In fact we have almost reached a stage of "now or never." Hence we cannot afford to lose any more time.

INFLATION AND THE RISE IN PRICES AND WAGES

IT is more than a year of the termination of War, but our worries are no less—nay they are more. Wheat is Selling at 2 seers to a rupee, cloth is scarce and sugar and kerosene are unobtainable. In the South the food position is very critical. In spite of all the 'Grow-more-food' campaign the production of food has not appreciably improved. No doubt the files have grown in number and volume. The production of sugar and cloth has definitely declined. Our sterling balances are mounting up and the Reserve Bank is inflating the currency, pushing up the price index. The prices of gold and silver have reached unimaginable heights. Not only the industrial labour but even the bank employees and innocuous teachers are resorting to strikes and pressing for higher wages and salaries in view of the rising prices. A vicious circle is thus created between prices and wages. Where will all this lead to? Surely to a disaster unless the blind economic forces are properly controlled and the human greed and official corruption are ruthlessly suppressed. Let us hope the popular governments in the provinces and in the Centre will take right steps to over-come this malady.

Inflation.

The most striking fact in our economic situation has been the extraordinary expansion of our currency and its effect on the price level and wage rates. Instead of exercising effective controls over

prices, wages, rents and profits as was done in the United Kingdom, U. S. A. and Canada, the Government of India has continued to multiply the currency of the country with a backing of the Sterling or undated British Pro. Notes. On Sept. 1, 1939, notes in circulation were only Rs. 172.37 crores; on the 30th March, 1945 the figure came to Rs. 1,08,4.88 crores and on the 29th March, 1946 it reached Rs. 1,21.877 crores or an increase of 600 per cent. over the figure of 1939. The Reserve Bank Act requires that at least 40 per cent of the paper currency reserve should be in gold and sterling securities. On September 1, 1939 this Reserve consisted of 35 per cent of silver coin, 20 per cent of gold, 28 per cent of sterling securities and 17 per cent of rupee securities. As against this, it was composed of 5.6 per cent of silver coin (including one-rupee notes), 4.4 per cent gold, 4.8 per cent rupee securities and 88.5 per cent sterling securities. This is a very unhealthy and unbalanced feature of our currency system. The British Government has exploited our material resources through a clever device of linking the note-issue with the sterling. By dumping the currency in the market the Government could make any purchases for self and the allied nations without regard to the needs of the people. The result was human suffering and privation, deaths and destitution. Even to-day Britain is not so anxious to export capital or consumers' goods to India as to the countries from which she can get hard currency or current imports.

Production.

One of the ways to absorb inflation and mitigate human suffering could be to make an all-round increase in production. But no attempt was made

to step up production to keep pace with the increased note-issue. Canada and Australia, to say nothing of U. K. and U. S. A. have made marvellous progress in the industrial field in these few years. But the index of industrial activity in India actually declined from 111.1 in 1938-39 to 109.4 in 1943-44.

(April 1935-March 1936 as 100 : Compiled by Capital of Calcutta)

| | |
|---------|-------|
| 1938-39 | 111.1 |
| 1939-40 | 114.0 |
| 1940-41 | 117.3 |
| 1941-42 | 122.7 |
| 1942-43 | 108.8 |
| 1943-44 | 109.4 |

(Taken from Capital, April 12, 1944).

It may look paradoxical to a superficial observer, but we must face hard facts to understand the real position. We give below the progress of a few of our important industries to explain the above table.

Iron and Steel.

It is our basic industry. Every one of us including the economist and the businessman was under the impression that the War had given a fillip to this industry. For strategic reasons output figures were not disclosed. Now that the war is over Mr. Tata explained the true position and to our dismay and disappointment we learn that the production of iron and steel has declined rather than improved.

| | Pig Iron (Tons) | Steel Ingots (Tons) |
|---------|-----------------|---------------------|
| 1939-40 | 11,40,000 | 10,18,000 |
| 1944-45 | 8,60,000 | 9,54,000 |
| 1945-46 | 10,06,000 | 10,14,000 |

Another striking feature in our economic system has been the decline in the consumption of iron and steel in the inter-war period. In 1939 it was 25 per cent below the consumption of 1914.

Cloth.

It is the same tale to tell. If we can rely on Government figures prepared from mill returns the production increased by about 10 per cent in 1943-44, but since then it has again declined. On the contrary the handloom production has come down considerably owing to the paucity of yarn. Added to this our imports came almost to nothing and exports and Government purchases took away a very big slice of our production leaving proportionately much less for the civilian population.

Mill production in million yards.

| | |
|---------|-------------------|
| 1938-39 | 4,269 |
| 1939-40 | 4,013 |
| 1940-41 | 4,270 |
| 1941-42 | 4,494 |
| 1942-43 | 4,109 |
| 1943-44 | 4,842 |
| 1944-45 | 4,500 |
| 1945-46 | 4,200 (estimated) |

Sugar.

The State has exercised the greatest control on this industry. The Governments of U. P. and Bihar passed the Sugar Control Act in 1938

whereby they regulated output, and licensing of cane supply, etc. of the factories. But it must be remarked that if the Government had shown any vision or wisdom it should not have restricted production in 1940-41 and 1941-42. The authorities were afraid of large stocks. They did not see into the future. In the last two years the production has considerably fallen :—

Cane-factory production in tons

| | |
|---------|-----------|
| 1943-44 | 12,16,400 |
| 1944-45 | 9,85,000 |
| 1945-46 | 9,48,000 |

Jute.

The demand for jute and jute goods depends on the quantum of international trade. During the war, trade declined, but the demand for jute goods was kept up for strategic reasons. However the industry has not made any progress during these years partly because about 20 per cent of the total production capacity of the industry on a loomage basis was requisitioned by Government and partly because the demand was intermittent. With 1938-39 as the base year the development of the jute industry in the war years is as follows;—

| | | | |
|---------|---------|---------|---------|
| 1940-41 | 1941-42 | 1942-43 | 1943-44 |
| 91 | 103 | 85 | 71 |

This has been the progress of our major industries. There was some activity in some new lines that supplied war materials or carried on war contracts, but on the whole the country did not materially benefit by the war in the stabilisation or expansion of her industrial system. In case of iron and steel and some other industries even the normal progress has been denied.

The Price-Level

At the outbreak of the war in September 1939, the speculator gave a little push to the price movement which registered an upward tendency. But little notice was taken of it. In fact, a rise in agricultural prices was welcomed as the cultivator had suffered long and severely by the abnormally low prices. Towards the middle of 1941 the attitude of Japan grew increasingly hostile and her assets were frozen. In the latter half of 1941 the prices showed a marked upward tendency, but by no means alarming. The prices increased violently in 1942 and up to the middle of 1943 as is shown by the following indices:

| | Base 1938-39—100 | | |
|------------|------------------|-------|-------------------|
| | Rice | Wheat | Cotton piecegoods |
| 1939 Sept. | 111 | 117 | 105 |
| 1941 Dec. | 172 | 212 | 198 |
| 1942 Dec. | 218 | 282 | 414 |
| 1943 July | 951 | 346 | 493 |

(Taken from the Foodgrains Policy
Committee Report)

These were the peak prices. The Government was stirred out of its lethargy and control measures were introduced in cloth and other trades. It was the Bengal Famine that brought home to the government and the people the real food position of the country. By a process of trial and error the government has acquired some grip over the problem. But the fact is that the state officials have neither the requisite training nor aptitude for handling intricate

economic problems. Added to these shortcomings is the magic of money, the craving to get rich quick to share in the loot with the profiteer—which has spoiled our official class.

History repeats itself. As in 1919 so in 1946 we are experiencing a boom world over. The price and the cost of living indices are on the upgrade in most of the countries including U. S. A., U. K. and India. The Economic Adviser's price index which remained fairly stable round 242 in the first half of 1945-46, moved upward to 253.2 in March and 255.0 in May 1946. Agricultural commodities are also exhibiting the same upward tendency. However the cloth prices have not been allowed to rise although there has been an insistent demand for an increase in the price of cloth in view of the rise in the price of raw cotton and the reduction in the hours of factory work from 9 to 8 from August 1, 1946. The Bombay cost of living index has risen from 226 in April 1945 to 248 in April 1946, principally because of the rise in food prices.

Wages And Strikes.

The country is at present afflicted with a strike wave. Not only the workers in the factories, mills presses, shops and offices have resorted to this weapon, but even the employees of railways, posts and telegraphs, banks and schools have copied the industrial worker. Is it all justified? During the war, as discussed above, the price and cost of living indices improved considerably. In fact, the actual price level is about 4 times that of the 1939 level. A rupee is hardly worth 4 annas at present. Naturally the worker is experiencing great difficulty in making

his two ends meet. In the not very distant future he is also afraid of the discontinuance of his dearness allowance which was in some places based on the cost of living index of the worker. Loss of employment is another danger which is staring him in the face. How is he then to safeguard his interests? During the war period the Government was vigilant against industrial dislocations and the capitalists too were anxious to keep the labour in good humour. War bonus at the cost of E. P. T. was a common feature. At present not only the economic forces are at work, but the conflicting political ideologies are creating greater confusion. The Communist starts the game, the communalist takes it up and gives it a twist, and then the Congressman, being in office, is put on his mettle. He is asked to intervene and settle the differences. The popular governments are not allowed a breathing time to adjust industrial relations. They are too much occupied with more urgent problems—economic and political. According to official statistics there were 168 cases of stoppages of work involving 3,02,332 workers and a loss of about 1,333,787 man days in April 1946. The country can ill-afford these strikes and lock-outs at this juncture when we need more cloth, more sugar, more cement and more coal and steel.

What then is the remedy? The Central Government as well as Provincial governments have appointed Pay Commissions who are investigating into the question of emoluments of their respective employees in all its bearings. But all these problems hinge round a certain fixed price-level. At what level of prices will the Pay Commission fix the salaries?

Certainly, the present high level cannot be the basis. It is the opinion of experts in U. S. A. and U. K. that the prices will turn the corner towards the middle of 1948. After the first world war too the boom continued for 2 or 3 years. The pent-up demand of the war-time created by large issues of currencies and the physical destruction of capital and consumers' goods should be met in the next two years or so. One cannot be very dogmatic about these trends, but it seems quite probable that the boom conditions should resolve within the next two years or so. Already there are deflationary tendencies at work. In 1946-47 alone, the drop in the Defence expenditure will be to the extent of Rs. 600 crores. It will be more keenly felt next year when a large number of our soldiers and workers is demobilised and war works are completely stopped.

The Bengal Famine Commission suggested to stabilise the prices of agricultural commodities at about 180 to 240 per cent of 1939 price-level. This view was endorsed by the Agricultural Stabilisation Committee as well. The Government must aim at it and to achieve this end it must pursue a firm price policy. On no account should they allow any increase in prices. To keep labour at rest the State should subsidise food, cloth and sugar, but must not allow any increase in money wages or dearness allowances. The farmer may be supplied agricultural implements and artificial fertilisers at concession rates but his grain must not sell dearer. Part of the subsidy will be met by saving in dearness allowance, but the society will gain more by a psychological change than the loss in money. The prices will take a downward turn. When they reach the desired level, the State

should apply a strong brake. It is a very delicate machinery and therefore needs an efficient and careful handling. The War has given experience to the government as well as to the people. Simultaneously production must be stepped up in all directions. The government is now following a more liberal import policy. The country badly needs capital as well as other goods. It will be a proper device of reducing our sterling balances and consequently the paper currency as well. The war has given greater economic and political consciousness to the worker. He must not only be given a minimum wage but a decent standard of living, security against unemployment and a share in the management and ownership of the concern he serves. The days of laissez faire are over. The State should regulate and control dividend rates, conditions of work and wages and rents. It must properly plan the national resources for desirable social ends.

This article was written in 1946. Since then the position has further deteriorated and the statements made in this chapter are correct to this date.

INDIA AND INTERNATIONAL MONETARY FUND.

A NEW chapter in the history of international cooperatives opened with the publication of the Joint Statement by Experts on the establishment of an International Monetary Fund of the United and Associated Nations in April 1944. This was a statement of principles representing the measure of agreement reached by the experts who were preparing plans for the post-war international monetary reconstruction. Subsequently invitations were issued on behalf of the President of the United States to the Governments of the United and Associated nations to a formal monetary conference for the purpose of formulating definite proposals for the creation of an international monetary fund and other organisations considered necessary in the interests of healthy international trade and investment. Accordingly the United Nations Monetary and Financial Conference met at Bretton Woods, New Hampshire, on July 1, 1944. Forty-four nations, including India, were represented at this conference. The mechanisms evolved at Bretton Woods were in the first place an International Monetary Fund to deal with short-term credit and secondly an International Bank for Reconstruction and Development dealing with long-term credit. The participation of India in the International Monetary Fund and Bank gave rise to considerable controversy. Before we can appreciate the arguments put forward in favour or against India's joining the scheme, it is necessary to bear in mind the main provisions of the above two international monetary organisations. Below are given the im-

portant features of the International Monetary Fund.

The main objectives for the realisations of which this Fund is designed are: (i) to promote international monetary cooperation, (ii) to establish exchange stability and multilateral system of payment by preventing unilateral action on the part of any member nation to either exchange party, (iii) to enable member countries to correct maladjustments in their balance of payments which have been a source of great disturbance to free trade in the past, (iv) to facilitate expansion and balanced growth of international trade by eliminating hindrances like exchange control, clearing agreements, blocked balances, etc. For achieving these objectives the Fund provides for a permanent machinery for consultation on international monetary problems.

The total capital of the Fund is 8.8 billion dollars. Each member country has been allotted a portion of it, known as its quota or subscription. The six largest quotas in dollars are: U. S. A. 2750, U. K. 1300, U. S. S. R. 1200, China 550, France 450, India 400. These quotas are, however, subject to periodic or occasional review by the Fund, but such changes can be effected only with the consent of the member concerned and with three-fourths majority. The member's subscription shall equal its quota and shall be payable to the minimum extent of 25 p. c. in gold, and the remaining balance in member's own currency or in securities.

Each member is required to fix the par value of its currency in terms of gold as a common denominator. Section 5 of Article IV says that for a 10 p. c.

change in the par value the Fund will raise an objection, and for a further 10 p. c. the Fund might concur or not, but shall declare its attitude within 72 hours. Thus the Fund does not commit the grave mistake of attempting to create fixed and rigid parities and at the same time it does not allow the members to take the law in their own hands. It expects the members to cooperate with it by not proposing changes in the par value of their currencies except to correct fundamental disequilibrium. In return the Fund's resources will be at the disposal of the member country in amounts based on its quota to tide over current deficits. If, for instance, a member country is faced with an abnormally large debt balance on international account and is unable to meet the gap by parting with gold or foreign exchange, it will have the right to buy from the Fund the requisite foreign currency in exchange of its own currency. This overdraft facility or borrowing is, however, strictly limited. The limitations are that (a) a member cannot buy foreign currency from the Fund beyond 25 p. c. of its quota in any single year, and (b) the aggregate of such purchases cannot exceed 125 p. c. of its quota. The Fund may, however, waive these conditions in exceptional cases. In this way the Fund will attempt to avoid such occasions which lead a country to adopt restrictive measures in respect of foreign exchanges or to block the normal channels of trade.

The countries with a chronic surplus are as much a danger to international equilibrium as the countries with a deficit. The Fund does not ignore this fact. In the case of chronic surplus the Fund provides for the rationing of the scarce currency. If a country piles up abnormally large surplus balances

naturally the demand for its currency will be much greater than its supply. The Fund will try to meet the demand of debtor countries for this currency by borrowing that currency from the member country or some other source or by buying that currency in exchange of gold. Should all these measures fail to enable the Fund to obtain the requisite amount of that currency, the Fund shall declare the currency 'scarce.' It will issue a report explaining the causes of this scarcity and making recommendations for its removal. The Fund may also apportion the supplies of a scarce currency with due regard to the relative needs of the members. Besides this, the deficit balance countries in such a case, will have the right to impose restrictions on the freedom of exchange or trade to restore the balance. The fear of this restrictive pressure is likely to influence the creditor to correct its own disequilibrium. Thus the scheme requires the creditor country to bear a part of the burden of adjustments of prices and incomes in case of external disequilibrium. This is certainly a definite improvement over the previous position.

The membership in the Fund imposes an obligation on the part of the member to maintain orderly exchange or arrangements, and to avoid competitive exchange alterations and discriminatory currency practices. Except in cases of scarce currencies and transitional period, no member shall impose restrictions on the making of payments and transfers for current international transactions. Each member shall buy balances of its currency held by another member at the request of the latter, if the balances have been acquired as a result of current transactions or if their conversion is required for making payments

for current transactions. The Fund may require members to furnish such information which may be necessary for its operations. Finally members are not to engage in any transactions with a non-member which would be contrary to the provisions of the Agreement or the purposes of the Fund.

The management of the Fund will be in the hands of a Board of Governors, Executive Directors, a Managing Director and a staff. All powers will be vested in the Board of Governors to which one Governor and the alternate shall be appointed by each member country. The Executive Directors shall be responsible for the conduct of the general operations of the Fund. There shall be 12 directors, of whom 5 shall be appointed by the five members having the largest quotas, 2 by American Republics other than United States and the other five shall be elected by the remaining members.

The International Bank

The other organisation evolved at the Bretton Woods Conference was the International Bank for Reconstruction and Development. Since the membership of the Bank is contingent upon the participation in the Monetary Fund, it is necessary to know what advantages the membership of the Bank will bring to the members. We shall then be in a better position to understand the attitude of a country towards the International Monetary Fund.

The main objective of the Bank is to facilitate the international investment of capital for the purposes of (a) restoration of war-damaged economies, (b) the reconversion of productive facilities to peacetime needs, and (c) the encouragement of the develop-

ment of productive facilities and resources in less developed countries. The Bank will try to attain its objectives by promoting private foreign investment through guarantees or participation in loans and other investments made by private investors. In case of need it would even go to the extent of giving direct loans for productive purposes out of its own capital.

The Bank shall have an authorised capital of 100,000 million dollars, divided into 100,000 shares of 10,000 dollars each. The share capital allotted to India is 400 million dollars. The 20 p.c. subscription of a member shall be paid and the remaining 80 p.c. shall be callable only when required to meet the obligations of the Bank. Of the 20 p.c. subscription 2 p.c. shall be paid in gold or U.S. dollars and the balance of 18 p.c. is payable in the member's currency. The shares of the Bank shall not be pledged in any manner and shall be transferable only to the Bank.

The Bank's resources will be utilised only for the benefit of the members and shall be available for the purposes of development and reconstruction alike. The Bank shall furnish the borrowing members with such currencies of other members as are needed for expenditure in their territories. The terms and conditions of the loans and guarantees shall be determined by the Bank but it shall impose no conditions as to the expenditure of the proceeds of a loan in any particular member country or countries.

The organisation and management of the Bank are similar to those of the Fund.

II

These are the main features of the scheme evolved at Bretton Woods. The proposals of this Conference were incorporated in an Agreement which was circulated to the Governments of the participating countries for ratification or otherwise by the 31st December 1945. In the middle of December 1946 it was announced that the International Monetary Fund will commence exchange transactions from March 1, 1947. The Executive Directors of the Bank decided that the Bank would formally commence operations on June 25, 1946 and called upon the members to remit their subscriptions in instalments between August 25, 1946 and May 25, 1947. A close study of the First Annual Report, submitted by the Executive Directors of the Fund and the Bank to the Governors towards the end of September 1946, reveals the fact that the Fund is taking no narrow view of its duties and responsibilities. It is also not unmindful of the great complexities of the transition period. In the first place the Fund admits that the initial par values that are established now may, in some cases, be found incompatible with the balanced international payments position at a high level of domestic economic activity. When such a contingency arises, the Fund will have to recognise the unusual circumstances under which the initial par values were determined and face the new problems of adjustment. That means the acceptance of the initial par values is no guarantee by the Bank that all the rates will remain unaltered¹.

Another point which bears testimony to the

1 Eastern Economist, Jan. 31, 1947.

Fund's liberal approach relates to the utilization of its exchange facilities by a member. Although the resources of the Fund are not to be used for long-term financing or for relief and reconstruction, the Fund makes it clear in its first Annual Report, that a member will not be debarred from using the Fund's resources for importing relief-type goods or plant and machinery to replace what was destroyed or worn out during the war. "What is significant," adds the Report, "is the magnitude of the use which a member makes of the Fund's resources and the prospective balance of payments position of that member. The essential test of the propriety of use of the Fund's resources is not the character of the goods imported but rather whether the prospective balance of payments position of the country concerned will be such that its use of the Fund's resources will be of relatively short duration."

What will be the fate of the above scheme it is difficult to forecast just now. But so much can be said that if the member countries cooperate in this task, without any mental reservations, the scheme can be of great help in promoting the balanced expansion of trade and employment which is a *sin quo non* for stable world peace and security. The successful working of the Bretton Woods institutions will ultimately depend upon the international political conditions and the mode of behaviour on the part of big countries notably America. Great responsibility rests on the U. S. A. for the promotion of international economic relations. She must follow an effective employment policy at home calculated to avoid unemployment and crises. In the end it may be pointed out that although the existing politi-

cal fears and uncertainties are likely to hamper the onward march of the scheme, there is no justification for us to be too much pessimists.

III

India's Attitude

The Government of India gave its consent to join the I. M. F. scheme on 24th December, 1945. The new Assembly took objection to its not being consulted by the Government in this vital matter. Thereupon a Committee was appointed to report whether India should continue to be a member of the scheme or withdraw from it. The report of the Committee came up before the Assembly at its October sitting last year, when the question of India's participation in the I. M. F. was thoroughly examined. The Assembly debate besides being interesting was of a very high order. Moreover it gave an opportunity to clarify certain doubtful points raised by the people from time to time. The Legislative Assembly passed the following resolution unanimously—"That this Assembly, having considered the third report of the Committee on Bretton Woods Agreements do approve India's continued membership of the International Monetary Fund and the International Bank for Reconstruction and Development." This has practically ended the controversy in this field. To argue now a case for or against participation is in fact, meaningless. We shall therefore confine ourselves only to the important points raised in this connection.

It can be said without any fear of contradiction that India's greatest need today is rapid industrialisation. The entire country is pulsating with hopes

and aspirations of large scale industrial development to raise the standard of living of the masses. It is, therefore, necessary that the country should not be a party to any scheme, at home or abroad, which is likely to hamper the growth of industrialisation. In no case should India surrender the right to economic development in the name of industrialism. She should have full liberty to control and regulate her economic system in the light of changing conditions with a view to accelerate the tempo and process of industrial development. Will the Bretton Woods institutions stand in her way? No. It is provided in the Agreements that the Fund is not to interfere in the internal economy of the member countries. So the participation in the Fund does not curtail freedom to manage the economic system in the best interests of the people. On the other hand, this will strengthen international cooperation which will go a long way in furthering the cause of industrialisation in this country.

For a high rate of economic development some flexibility in the economic system is necessary. The Fund does provide sufficient flexibility to the economy especially in the matter of exchange rates. A member country with the permission of the Fund can introduce 20 p. c. change in the exchange rate on the ground of fundamental disequilibrium. Thus the intention of the Fund is not only to avoid competitive rate-cutting, which is fraught with grave dangers, but also to grant reasonable freedom to the members to vary the exchange rates within a certain limit. This again is likely to help India in her task of raising the standard of living of her four hundred million people. In this connection two things are asked:

first, will 20 p. c. variability in the exchange rate be adequate? And secondly, what does "fundamental equilibrium" stand for? In a rapidly changing economic system it is impossible to say what would be the ideal rate of exchange for the country. It becomes all the more so because while fixing the rate of exchange we have not only to consider the internal economic structure but also keep in view the international background which itself is rapidly changing. Under such circumstances it is difficult to say whether or not the 20 p. c. variability will be adequate. But that is no argument against the participation in the scheme. The true criterion on which we should base our judgment is whether or not the Fund permits flexibility to the economic system which is so necessary for a progressive economy. As regards the term 'fundamental disequilibrium', it is bound to cause serious headache to the Directors of the Fund. We can, however, depend upon the Indian Director on the Fund to press for liberal interpretation of the term. It is gratifying to note the Fund's liberal approach to this question. It was declared at the Savannah Conference that measures to meet unemployment arising from persistent pressure on the balance of payment of a member country will be regarded as measures necessary to correct a 'fundamental disequilibrium.'

Now we come to the question of India's huge sterling balances accumulated in London during the war. It is a matter of vital importance for the country, and to a great extent, the rapid industrialisation of our land is dependent upon the successful solution of this problem. What India wants is the multilateral convertibility of her sterling balances to

enable her to import necessary capital goods from abroad. The Indian Delegation strove hard to bring the question of war-time balances within the scope of the Fund. But the demand was turned down on the ground that the Fund was an unsuitable agency for resolving abnormal war debts and that it would break down under their weight. It was, therefore, decided to treat war-balances as outside the purview of the Fund which could be better settled directly by the countries concerned in a spirit of mutual understanding. This naturally caused great disappointment and even resentment in the country, and it would not be wrong to say that the attitude of most of the people towards Bretton Woods is coloured because of the unsympathetic treatment received by the Indian Delegation at the Conference. But hasty reactions will not make far wise decisions. We should always avoid them. To use this as an argument against adhering to the I. M. F. is not sound since it is based upon a misconception of the character of the Fund. The purpose of the Fund is to facilitate the return of international trade to normal conditions. To achieve success it is necessary that the Fund should confine itself to certain specialised tasks for which it is designed. The inclusion of war balances in the scope of the Fund, which are of various categories and which far exceed the total resources of the Fund, would certainly jeopardise the success of the whole scheme. In the international sphere it is dangerous to be ambitious. This is not all. The question is; will our abstaining from the I. M. F. help in the settlement of sterling balances? No, it might even invite fresh troubles. On the other hand, India's participation in the Fund might strengthen her bargaining power

vis-a-vis Britain.

Closely allied to the Fund is the Bank for Reconstruction and Development. Since the membership of the Bank necessitates the membership of the Fund, it is necessary to see how India will be affected by the operations of the Bank. As already referred to, the Bank is intended to further international investment by creating favourable conditions. In most of the united nations, there is the unprecedented need for capital to repair the war-damaged economy and switch it to peace-time production. In many areas of the world, including India, large investments are needed for industrial and agricultural development. In the present context of world wide scarcity of capital and the unprecedented need for it, the role of the Bank is full of significance. Against membership of the Bank critics point out that India can get foreign loans from other channels such as the Export and Import Bank and private lenders. Therefore the advantage of the Bank in facilitating international investment should not be given any weight in deciding the issue of India's participation in the scheme. It is true that India can obtain loans from other sources, but the participation in the Bank does not preclude India from borrowing elsewhere. In fact, it makes the conditions all the more favourable for doing so. The critics also refer to the great risks involved in the membership of the Bank. The uncalled quota of 80 p. c. which our country may be called upon to pay in order to meet the losses of the Bank is of the tune of Rs. 105 crores. This sum is said to be far bigger than any possible benefit which the country might receive from the Bank. It does not appear to be a great risk particularly when we

remember that the Bank is to assist in the restoration of war-ravaged economies. But there are adequate safeguards against it. The terms and conditions relating to the granting of loans or guarantees are such that much of the advertised risk disappears. The Indian Director on the Bank should see that resources of the Bank are properly apportioned between the restoration of war-damaged economies and the development of backward areas. That is the effective participation of India will in itself reduce the risk still further.

Let us then conclude by emphasizing once again that India must exert to take her due place in the international sphere. Isolationism in the context of the present day world will be suicidal. India's effective participation in international economic and political institutions is urgently called for. As such the ratification of the membership of the Bretton Woods institutions by the Assembly is a great step in the right direction.

Post Script. May 1, 1948

The above lines were written practically a year back. Since then certain significant facts relating to the working of the two institutions brought into existence at Brettonwoods have come into light which should be taken into account while forming opinions about them. Taking the Fund first, we find that so far it has failed to display any initiative. This is so because of its too much obsession with the transitional nature of the present state of affairs. Further, the Fund has been unable to take a bold decision on the use of multiple currency practices. Last year in June, the Government of Ecuador

requested the approval of the Fund for an adoption of its multiple currency practices. The Fund agreed to the use of this device for a short period. Now after giving the approval once in case of Ecuador, it found itself unable to object in the cases of Poland, Greece, Italy and France. Ecuador's multiple currency practice system was only a method of exchange allocation. The objective was to secure free import of consumer goods in pursuit of anti-inflationary aims. As such Ecuador should have been told that this result ought to have been more directly brought about through import control. But the Fund clearly failed to do this. Again, the Fund has failed to put an end to the transactions in gold at premium prices which not only attract away gold from monetary reserves but also distort the exchange relationships among the members. The Fund has of course prescribed a margin for gold transactions by members. The margin has been fixed at $\frac{1}{2}$ of 1 per cent above and below par, exclusive of certain specified charges. The aims sought to be achieved through prescribing those margins are (a) to stabilise the price of monetary gold for all members, and (b) to prevent any significant divergencies from par of the external value of member currencies on account of gold transactions.

Yet another thing which has lowered the Fund's prestige is its recent failure to get its views on devaluation accepted in France. True it is that devaluation was justified on the ground of price parities as well as on the basis of external financial position, and that the Fund had no option so far as the issue in principle was concerned. But where the Fund failed was "to advise on the extent of

devaluation and to hold France precisely to the figure at which stabilisation of the franc is necessary." Devaluation of the franc may result in lower values for sterling in cross rates. If sterling devaluation does take place what will happen to our accumulated balances?

Coming to the Bank, we find that it enjoys even less reputation than the Fund. "By a combination of circumstances", observes the Eastern Economist, "the Bank's international standing has recently suffered so much that many have written it off as a disappointment." It is true that of the \$1,599,985,000 paid-in capital, only \$727,075,000 is represented by United States dollars. But so far the demand has been primarily for dollars. Thus the availability for lending purposes of the Bank's capital funds is practically limited to approximately \$725 mn. For loanable resources in excess of this amount, the Bank has got to depend on the sale of its bonds in the U. S. A. This has created an awkward dilemma for the Bank, adversely affecting its reputation among its potential clientele, particularly Asia.

Although it is not always possible to draw a sharp line of distinction between reconstruction and development, it is being increasingly felt that war-damaged areas are able to get more and better facilities in comparison to backward regions, the development of which is essential for the attainment of the objectives originally laid down. Further, it is gathered that Marshall Plan contemplates a loan of \$2.2 billion from the Bank which comes to 25 per cent of its total authorised capital. Naturally it has caused a great stir because of the reason that no prior sanction has been taken from the Bank for this

loan. And it greatly strengthens the feeling that it is ultimately the U. S. A. and U. K. which direct and control the entire course of its operations, having the least regard for the interests of less powerful nations.

Hence it can be said that so far the progress made by the Brettonwoods institutions has been quite unimpressive. But to be fair to them, it must be pointed out their failure to make any headway so far is mainly due to causes beyond their control. The environments in which they were expected to function satisfactorily are as yet non-existent; and the prospects of their coming into existence are still distant.

THE INDIAN TRADE UNION MOVEMENT

THE Indian Trade Union Movement is not very old. It took some sort of shape during the course of the first world war. The situation that was created by that war with regard to prices and wages gave some impetus to the workers to put up organised fight for demanding redress of their grievances. Unions grew up in the beginning amongst postmen, railway employees and textile workers. Few of the unions formed in the early period of the war are now in existence. Most of them died after a short, but useful, career, yet in some places like Ahmedabad, Jamshedpur and to a certain extent in the railways serious attempts were made to build up a strong trade union movement on sound lines.

The end of the last war forced the pace of labour organisation in the country. In the first place, there was a good deal of awakening amongst the workers. They appreciated the need of joint resistance to exploitation through collective action, the strength that organisation brings dawned upon them this consciousness continued to grow throughout the period between the two world wars. Secondly, there was a somewhat rapid industrial growth after the termination of the first world war on account of the adoption of the new economic policy by the British Government. This created a large demand for workers and thereby also increased the necessity and opportunity for the formation of Trade Unions. On the passing of the Indian Trade Union Act in 1926 trade unions received further impetus. The Act defined the legal position of trade unions in definite and precise terms. It also specified the rights, pri-

privileges and obligations of the unions registered under the Act. Registration is optional, but the Act confers certain valuable privileges on the registered bodies which are denied to those that choose to remain unregistered. The rules for registration are that seven members should sign a form and submit it with a copy of the constitution of the union to the Registrar of Trade Unions in the Province. Inquiries are then held about the bonafides of the application and if the rules etc. of the union are in accordance with the Act a certificate is issued. The registered trade union is required to provide for a regular annual audit of its funds which can be spent only on certain specified objects. Not less than one-half of the office bearers must be persons employed in the industry concerned. As against these restrictions, the Act grants immunity from criminal liability to all trade union officials acting in furtherance of all legitimate objects of the union. Nor are they liable to be indicted for conspiracy. It does not, however, follow that employers would deal with even registered unions. Registration is not the same thing as recognition. Usually the employers impose further restrictions before granting recognition to a union.

The number of registered trade unions in 1928-29 was 75 with a total membership of 181,077. Ten years later in 1938-39 the number of trade unions and membership jumped to 562 and 399,159 respectively. During the recent War, the growth of trade unions was steadily maintained. By 1944 the number of registered trade unions had increased to 818, claiming a total membership of 780,967. To-day, after the termination of the War, workers have become more conscious of their rights and of the value of collective

action. Such a time is highly favourable for the growth of trade unions. What is needed most at the present is proper leadership for the building up of and consolidation of genuine and healthy trade unionism in the country.

Although over 30 years have passed since the movement began to grow, it must be admitted that it is still in its infancy. There are very few stable mass unions. Quite a large number of workers in the country are yet outside the movement. The reasons for this are well-known. In the first place, to inculcate the principles of trade unionism into the workers, the vast majority of whom are illiterate, is by no means easy. Mass illiteracy prevents the growth of leaders from amongst workers. As a consequence of this the movement is largely dependent upon "Outsiders" who do not in all cases distinguish between political and economic considerations. Secondly, there is the migratory and heterogenous character of our labour force on account of which they do not feel intimately drawn to each other. And then comes their poverty. Even a small contribution is felt owing to the great poverty of the average worker. Another handicap is the absence of a true democratic spirit which is so essential for the building up of strong and stable trade unionism. Added to these is the general apathy, even hostility, of employers to the development of the trade union movement. Many employers are frankly hostile even to this day to unions. They do not hesitate using any means, fair or foul, to prevent sound trade unions from being built up.

In view of the above formidable obstacles in the way of the movement, it is no wonder that there are

so few unions in the country. If we sincerely want that our trade union movement should develop to its full stature and play its due role in the economic development of the country, the above handicaps will have to be removed effectively and speedily.

There is however, one thing which deserves our immediate attention. That is the issue relating to the political outlook of our trade union movement. At present we find a number of political parties—Communists, Royists, Socialists and Congressites—, vying with each other to capture the labour movement and utilise it to augment their political strength. Most of them have their own central trade union organisations through which they try to win the support of industrial labour. Very often strikes are arranged to serve political and party ends which are some-times even hostile to the interests of the working classes. As a result of the warring ideologies of the different political parties, labourers are being made to suffer unnecessarily. Divided into rival unions they are unable to gather strength to protect and advance their economic interests. Its effects on the country's economic system are no less disastrous.

Trade union unity is, therefore, most essential if we want the workers to develop their solidarity so that they may check their exploitation and resist totalitarian and fascist tendencies wherever they may be found. The unity is equally essential to secure industrial peace which is admittedly the most pressing need of the hour. Peace in industry requires not only truce between labour and capital, but also unity within labour itself. For this it is not necessary that workers must not take interest in politics or that

they must belong to only one particular political party. As individuals they may join different political parties. This will not cause any split as long as the internal working of the trade unions is frankly democratic and none of the parties utilises the trade unions for its own political advancement. If we are able to create these two conditions, we shall be successful in preserving the unity of the trade union movement.

This leads to a few important questions. First, should trade unions develop a political outlook? Should they take part in politics? Persons like N. M. Joshi hold the view that trade unions have nothing to do with politics. They want trade unions to be aloof from politics. The economic struggle, they contend, can be fought without introducing politics. According to this view trade unions should be organised purely on economic basis and should not be over-burdened with political differences. But this view has been fully exploded by experience. Moreover it is based upon a wrong conception of the role of trade unionism. "Trade Unionism is not intended merely to yield higher wages, smaller hours of work, better conditions of work and social security. It is only one of the great social and economic weapons that industrial labour has to emancipate itself from its present dependence upon Capitalism and to win for it, in cooperation with the other section of toilers, complete political and economic power in modern society. Trade Union is, therefore, as much a political instrument as an economic one." That is, trade unions can never be a purely economic movement divorced from politics. To attempt to do so will be futile, even disastrous.

The plain truth is that in a democratic country so long as the worker has the right to vote and the right to organise politics cannot be divorced from trade unionism. Both are largely inter-dependent.

Next comes the question of the type of trade union policy which will be most appropriate in the existing state of the country's economic system. For instance, should the trade unions take up an aggressive role and follow militant policies, resorting to widespread use of strike weapon or direct action and laying more emphasis on better distribution rather than on greater production programmes? Or should they follow a more constructive policy aiming at the strengthening of the movement and education of the workers in the spirit of freedom and self-reliance, using mainly parliamentary methods for securing economic, social and political advancement of the workers?

When confronted with such a question, one should remember that direct action and parliamentarianism are not opposed to each other. In fact, they can supplement each other. Their relative suitability depends upon the specific circumstances and the purpose for which they are to be used. Again, while judging the appropriateness or otherwise of the line of action adopted by trade unions, we must keep in view the type and level of socio-economic structure in which they work. A course of action which will be appropriate for trade unions to pursue in rich advanced countries may prove to be highly inappropriate, even ineffective in case of backward or undeveloped regions. In a well-developed economy, organised on capitalistic basis, the main malady is that of faulty distribution. The masses suffer not so much because there is less production but because

the system of distribution is unjust. The trade unions, under such circumstances, can well achieve objectives by taking resort to direct action. Obviously there will be great moral justification for an aggressive trade union policy and at the same time it will not cause so much inconvenience to the society as it would in case of an undeveloped economy. Moreover the chances of success of organised trade union activity are also very great because of the fact that trade unions are likely to be strong, having the backing of majority of the workers and possessing considerable financial and organisational strength to fight against the employers. Again, "in a well developed capitalistic economy in which the working class, strong enough to fight its own battles and the society rich enough to afford the occasional luxury of an organised cessation of work in its major industries, there is no need for compulsory arbitration and trade unions may well demand that arbitration should be voluntary and in no case compulsory"

Things are, however, quite difficult in case of an undeveloped economy like that of India today. There the fundamental cause of poverty is inadequate production. Its real solution can, therefore, come only through a planned all-round increase in production. Under such circumstances, the appropriate policy for trade unions would be to wholeheartedly co-operate in the battle for greater production and urge the labourers to work efficiently and with a sense of responsibility. Simultaneously the trade unions should take steps to organize labour to safeguard and promote, its interests. They should impress upon the society to recognize the fundamental rights of the worker in absence of which full cooperation would not be forth-

coming. "A living wage, provision for sickness, old age and unemployment, safeguarding of his civic and political rights and his full participation in the task of forging a new social and economic order of society are the essential conditions which the community should ensure." In return for a bold and progressive labour policy pursued by the State, trade unions, on their part, should agree to refer trade disputes to arbitration. This is all the more essential in view of the fact that in undeveloped areas trade unions are usually weak and cover only a minority of the working class. To leave the two parties—one weak and the other strong—to fight to the finish will be unjust.

In the light of this background, the line of action which will be appropriate for our trade unions to adopt is quite clear. The country is confronted today with a severe crisis of under-production. There is great shortage of practically every essential thing. As a result people are being put to terrible hardships, resulting in widespread ill-health malnutrition, discontent, etc. To remove this economic difficulty, what the country badly needs is more and more production. This is the only effective and real way to solve India's economic problems. As such it is necessary on the part of our trade unions to help the country in carrying out greater production programmes and not to hold up production through strikes. At least for sometime to come, the slogan of 'strike' at such a critical juncture will be un-patriotic. In the present context of chronic shortage of all essential goods, the cessation of work through strikes will only accentuate the hardships of the public and will even harm the ultimate interests of the working

class itself. It is, therefore, gratifying to note that the Government have provided for compulsory arbitration in the Industrial Disputes Act passed last year. But this seems to have upset some of the labour leaders who feel that it strikes at the very root of the trade union movement. It is, no doubt, true that strike is a fundamental right of the working class. But "in the present context in Indian conditions doctrinaire harping on the right of the working class to strike cannot be more than an indulgence in academic and theoretical discussion."

Besides extending their full cooperation in overcoming the crisis of under-production by (a) impressing upon labour that "there can be no short cut to prosperity and higher real wages except through the difficult road of self-discipline, hard work and eternal vigilance", and by (b) eschewing the use of strike weapon for sometime, trade unions should aim at placing industry under national ownership and control by reasoned public opinion with a view to eliminate individual exploitation and profit. Having agreed to discard the frequent use of strike weapon, it would be quite proper on the part of trade unions to insist on an appropriate state policy in regard to fair minimum wage, maximum "ceiling" for the rates of profits, social security schemes, nationalisation of basic industries, regulation of conditions of work, etc. At the same time they should also demand full recognition at the hands of employers and should see that the worker is not considered as an appendage to the machine but is regarded as an essential living part of the industry in which he is working. Trade unions should work to secure for him the right to participate in the administration of the enterprise and control of

production.

To conclude, the Indian Trade Union Movement has so far made little progress. It is weak and lacks unity. To-day, it is passing through a very critical phase. A number of political parties are making efforts to use the worker as a shield in a battle in order to force pre-conceived creeds down the throat of the country. This is doing a great disservice to the working-class and is found to further weaken the movement which is yet in an infant stage. If we sincerely want Indian Trade Unions to play its due role, we must preserve its unity, strengthen it, and plan for its further expansion on sound lines. For this, beside other things, "correct leadership is essential" a leadership which is not prepared to sacrifice the interests of the workers to imported doctrinaire enthusiasm, but desires to back a high-way for them to attain their stature, as key participants in a new order of things".¹

¹ Considerable help has been taken from the issue of Eastern Economist, dated May 30, 1947 in writing out the last section of this article.

INDIAN ECONOMY AFTER PARTITION

ON a fair and just appraisal of the British rule in India we find that its greatest contribution has been the political and economic unification of this sub continent. The irrigation works, railways, roads, posts and telegraphs and the banking institutions were developed with a view to connect the distant parts of the country. Administration was centralised, and economic plans were thought of on an all-India basis. The Act of 1935 contemplated an All-India Federation of British Provinces and Indian States. But to fight nationalism the foreign Master encouraged fissiparous forces in our society by playing upon our historical and religious differences. Intolerance reached such a limit that we could not agree to live amicably under one administration under any circumstances. There being no alternative, partition was decided upon. But the country is divided in a haphazard and arbitrary fashion by a British Judge (because Hindu and Muslim Judges could not agree) without any regard to the economic and strategic considerations. India had natural boundaries—of mountains and seas—but now, both in the east as well as in the west it is the religious faiths and not the physical features of the country that divide the people. Naturally it must lead to complications.

Now that division of the country is a *fait accompli* it is no use crying over the spilt milk. We must take stock of the actual position and try to make the best of the bad job. Let us develop our respective resources and live like good neighbours. We believe that it is in common interest to have economic co-operation between the two dominions as

is shown in the following paragraphs.

Agriculture.—Agriculturally Pakistan is at present stronger than the Indian Union. She has a much higher percentage of irrigated land to the total area sown than in India. The yield and quality of cotton, jute and wheat are comparatively much better in Pakistan than in India which depends on Pakistan for about 10 lakh bales of good quality cotton and for about 50 per cent. of the requirement of jute for her mills. India is deficient in her food resources and expects supplies from the Punjab and Sind. The following table gives the statistical position of area and irrigation :

(In acres)

| | Net area sown | Area under irrigation | Cultivable waste | Area under foodgrains |
|----------------|------------------|--------------------------|---------------------|--------------------------|
| Hindus- tan | 237,572,610 | 44,539,773 | 86,639,748 | 198,248,920 |
| Pakistan | 44,240,132 | 19,057,734 | 24,556,811 | 37,437,205 |

It will be clear from the above figures that while 43 per cent. land is under irrigation in Pakistan it is less than 19 per cent. in the Indian Union. We admit that there are a number of new projects on hand but they will take time before these schemes are completed. At present India is deficient in food as well as in industrial raw materials like cotton and jute. Every effort should, therefore, be made to speed up irrigation works. They must get the first priority.

Industry.—Industrially Pakistan is very backward. Most of the textile mills, iron and steel works sugar, cement, paper, glass and match factories are

in the Indian Union. Therefore, comparatively India is better placed, as is evident from the following table:—

| | | 1947 | |
|----------------------------|------|-----------|----------|
| | | Hindustan | Pakistan |
| Cotton Mills | .... | 408 | 15 |
| Jute Mills | .... | 111 | .... |
| Sugar Mills | ... | 135 | 15 |
| Iron and Steel | ... | 36 | .... |
| Cement, Lime and Potteries | .... | 57 | 8 |
| Paper | .... | 19 | .... |
| Glass | .... | 112 | 5 |

But comparisons are not of much avail. Though better than Pakistan India is very backward when we compare it with the industrially advanced countries of the world. The following table taken from 'Industrialisation and Foreign Trade', published by the League of Nations clearly shows where we stand industrially in the world :

Percentage Distribution of World Production

| Country | 1870 | 1913 | 1926-29 | 1936-38 |
|----------|------|------|---------|---------|
| U. S. A. | 23.3 | 35.8 | 42.2 | 32.2 |
| U. K. | 31.8 | 14.0 | 9.4 | 9.2 |
| Russia | 3.7 | 4.4 | 4.3 | 18.5 |
| Germany | 13.2 | 15.7 | 11.6 | 10.7 |
| Japan | ... | 1.2 | 2.5 | 3.5 |
| India | ... | 1.1 | 1.2 | 1.4 |

If we want to improve the standard of living of the masses we must exert our best to develop the economic resources of the country in all sectors of our economy. The crying need of the hour is

production and more production, of agricultural goods well as of industrial goods and professional service as of teachers and doctors. The State must give a clear and bold lead in the economic field. Industries like coal and iron must be nationalised at as early a date as possible. But we remember that while we aim at a socialist democratic State we must not be slaves of slogans. In the present state of political ferment and economic despondency it is neither possible nor advisable to do away with capitalism. But Public Utility Services and basic industries should, as a rule, be under State ownership, management and control. For consumption goods private enterprise must be allowed freedom under State regulation. The new industrial policy of the Government is a compromise—between socialism and capitalism, and is the most practicable under the circumstances.

Refugee Problem—The most important problem that is causing the greatest headache to the Government and the peace-loving citizens is the problem of rehabilitation of refugees. They need immediate succour and future employment. Lakhs of people have been uprooted from their old soils; it is an extremely difficult job to replant them. They have created new social and economic problems, which could not be conceived by the protagonists of the Partition. Roughly we divide the refugees under the following categories—

1. Cultivators
2. Agricultural labourers
3. Big business men
4. Small business men

5. Men following certain professions, e.g., teachers, doctors, lawyers, etc.
6. Government servants
7. Artisans and craftsmen
8. Beggars and destitutes.

Classes 1 and 2 can be settled on land. The Indian Union has about 87 million acres of waste land. How much of it can come under the plough has to be investigated into. Some of it is eroded land or overgrown with *kans* or *usar* land. Again, irrigation facilities are not available to the small grower. It is our belief that with mechanised agriculture, whether it is state farming or co-operative farming or even capitalistic farming, a good portion of this cultivable wasteland can be turned into arable land if we provide irrigation facilities and machinery. What is really needed is the introduction of science into agriculture. These refugees include some of our best cultivating classes. We are of opinion that the provincial governments should settle the unprovided among them on this wasteland and give them all possible facilities to bring this land under plough. It will afford them employment and solve our food problem. They will be large farmers who will have surplus food to spare for the towns.

Big business men are so resourceful that they will adjust themselves in the country's economy. Small business men will find difficulty in adapting themselves to the changed conditions. They were quite well off in the west Punjab and Sind and were used to a higher standard of living than men in similar capacities in other provinces. What

occupations are they to be given? They know no craft; Mahatmaji asked them to learn craft. But it may be too late in life for many of them to learn crafts. We suggest that they should be asked to run small businesses, e.g., power looms, leather works, dairy farms, printing presses, furniture works, etc. Electric power is available in most of the provinces. The Departments of Economics and Statistics, Industries, Co-operation and Agriculture should put their heads together and find out openings for these unfortunate people. The States, where pressure of population is not so great, can help a good deal. The refugees can develop their unexploited resources.

The other classes should not take long in settling down in the new environments. There is a growing need for doctors and teachers in the country. The refugees themselves will provide them work. Artisans and craftsmen can earn their living anywhere. Government servants, as far as possible, may be absorbed in State services, the unprovided among them and the lawyer class may take to other kinds of mental work. For the beggars and destitutes we suggest that work houses should be established in certain places. The aged and infirm among them should be provided food and clothing at State expense, but the able bodied ones must be made to work to earn their living.

Food is our next problem. In 1946 and 1947 the Government of India had to spend Rs. 100 crores each year on procurement of food. How long shall we continue this begging and that too at a prohibitive cost? We must develop our own resources. The remedy lies in providing irrigation facilities and fertilisers to the cultivator. The 'Grow More Food'

campaign has miserably failed. It has resulted only in 'grow more files.' In spite of taking away about 10 million acres of land from cotton and about 2 million acres from jute the total production of the country ranges about 55 million tons. This is really a very sad state of affairs. A good many Commissions have given their thoughts to this problem but in actual practice we see practically no improvement. However, we believe that within a couple of years European agriculture will be rehabilitated and thereafter the pressure will be removed from surplus stocks of Canada, Australia and North and South America. But we must think in terms of making the country self-sufficient in food and industrial raw materials.

Another change that we observe is in the nature and direction of our foreign trade. We cease to export foodgrains, cotton, jute, hides and skins and even oilseeds of certain classes. What then are we export to earn foreign exchanges for purchase of foodgrains, machinery, consumer goods and industrial raw materials, like cotton and jute? How long shall the sterling balances serve the country. There is an imminent need to consider this problem, which to our mind, can be solved only when we step up our industrial and agricultural production. A number of reconstruction plans were published by State and private agencies. The time has come when they should be seriously pushed forward.

Next we must ask the Government to seriously consider the question of prices, wages and economic controls which are really inter-linked. The price structure is moving up in spite of the considered opinion of the experts. Wages are chasing prices and prices wages. A vicious circle is created thereby.

Black-marketing is rampant in the country. Licensing Committees, dominated by Congress hierarchy, are making matters worse. The Congress Organization is losing credit and goodwill among the public because of these *mandleshwars*. If, for no other reason, at least to save the good name of the Congress, the Government must give a serious thought to the question of economic controls. A good deal of precious time is wasted away in collecting the daily necessities of life, like foodgrains, sugar, salt, cloth, fuel, kerosene and match, etc. This state of affairs cannot and must not be tolerated in a democratic State. Under pressure from Mahatma Gandhi (who alas! is no more) the Government partially removed control from food and cloth. But it made an undeserved addition to public revenues from sugar and cloth at the cost of the consumer. This stepped up the prices still higher.

Lastly we appeal to the Government to scrutinize its expenditure. It has mounted up several times in the last few years. New departments were created during the war time some of which are redundant at present. Though it may be an unpleasant task to effect retrenchment in services, yet it seems to be necessary in the interest of society. The country cannot bear this burden with the present sources of income.

In the end we can only say that we are fully alive to the exceptional circumstances and difficult situations in which our Government finds itself at present. But we hope they will not last long and a new era of prosperity and happiness is not far off if we harness our resources properly. At present there is a wide gap between the country's actual

economic development and potential resources. But with proper planning and co-operation this gap can be bridged over.
